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NEWS SUMMARY

GENERAL

Key U.S. bases in Turkey inactive

The four most vital American bases in Turkey ceased operations on the instructions of the Pentagon, following Turkey's abrogation of her military treaties with the U.S. The bases housed radar communications and intelligence gathering facilities directed at ship and troop movements in the Middle East and the Soviet mainland.

The Americans are also now unable to make use of the big airbase at Incirlik in South-Eastern Turkey, where they kept nuclear weapon-carrying Phantoms. The base will now be used exclusively for Nato purposes.

Following a U.S. Congressional ban on arms sales, Ankara has said that the 27 U.S. bases, where more than 6,000 troops are stationed, must come under the command of the Turkish armed forces.

Back page: editorial comment, page 10.

Soares appeals to President

Portuguese Socialist Party leader Dr. Mario Soares last night called on President Costa Gomes to dissociate himself from the new three-man triumvirate, of which he is a member, and to put himself at the head of a "Government of National Salvation." Back Page

Tory argument over Prentice

Tory MPs have criticised the statement of senior officers of the Newham NE Conservative Association that they would not want to oppose Mr. Reg Prentice, Minister for Overseas Development, if he fought the next General Election as an independent. Page 4

RAF rescue

Britain closed her consulate general in Luanda, Angola, and an RAF VC10 flew seven diplomats and 20 other British citizens out of the war-torn former Portuguese West African colony. None of the other consulates in Luanda has closed.
Page 5

Strains at OAU

The 12th summit of the Organisation of African Unity opens in Uganda to-day amid bitter controversy over the nationalist strife in Angola and the future of detente in Southern Africa. Tanzania is boycotting the summit in protest against the "massacres, oppression and torture" used by the host country.
Page 5

Press ballot

Moderates in the National Union of Journalists scored a victory when a special conference decided that the union's policy on the controversial questions of the closed shop and the role of newspaper editors should be decided by a ballot of its 28,000 members. Back page

Plea to Varley

Left-wing Labour MPs are to protest to Industry Secretary Mr. Eric Varley over news that the British Steel Corporation is to invest in a £20m. chrome plant in the Transvaal.

More tremors

Mysterious earth tremors at Trent Vale, Stoke-on-Trent, forced a local family to leave their home. The latest tremor occurred during a visit by local MP, Mr. Jack Ashley.

Briefly . . .

China announced that it successfully launched its third earth satellite on Saturday and that it circles the earth every 91 minutes.

Sig. Benigno Zaccagnini, 63, replaces Sig. Amintore Fanfani as secretary of Italy's Christian Democrats. Page 5

Four changes have been made in the English test team to meet Australia at Lords on Thursday: Wood, Steele, Lever and Edmonds replace Denness, Fletcher, Arnold and Hendrick. Page 2

BUSINESS

Seasonal 4.57 fall in Grocery Index

● **FT GROCERY** Prices Index fell 4.57 points in July, its first drop this year. After seasonal factors exaggerated the rise in early summer, the index now shows a bigger fall than in previous years and stands at 188.45, which is still 29 per cent. above last July's level.
Page 4

● **BURMAH OIL'S** former 20½ per cent. stake in British Petroleum—worth some £400m.—is being studied by London merchant bankers with a view to finding the best way of selling most of it to the public.
Back Page

● **ROYAL COMMISSION** on the Distribution of Income and Wealth's first two reports, including a study of the controversial area of dividends and company finance, will be published on Wednesday.
Back Page

● **BRITISH EXPORTS** to oil-producing countries rose 45 per cent. to £1.2bn. last year, but this was the lowest growth rate of any major Western industrial nation, according to the Organisation for Economic Co-operation and Development.

Jobless policy challenged

● **UNEMPLOYMENT'S** true level is only half the 1.09m. shown in the latest official figures, claims the Centre for Policy Studies, the Conservative research group founded by Sir Keith Joseph.
Back Page

● **THE U.K.** post-war approach to full employment policy is outdated, and the [illegible] needs to be looked at in a new way [illegible] are not to become trapped in a spiral of ever-accelerating inflation, argues Samuel Brittan in a Centre for Policy Studies pamphlet, published to-day.
Page 4

● **BRITISH LEYLAND** dissident shareholders are taking their fight against the State takeover of the company to the High Court to-day. (Page 4)

Leyland Innocenti, the BL Italian subsidiary, apparently intends to cut its 4,000-plus Milan plant labour force by 700 this year and by 1,700 within two years.

● **PROFESSIONAL ENGINEERS** are still in some disarray over plans for a powerful central organisation which would deal with the Government
Page 7

CBI opposed to State oil group

● **THE CBI** has denounced the Government's plans to set up a British National Oil Corporation, claiming that the Petroleum and Submarine Pipelines Bill would give Energy Secretary Mr. Anthony Wedgwood Benn "extremely wide, ill-defined and completely open-ended" powers.
Page 4

● **TUC** leaders are to renew their pressure for selective import controls to help a range of industries from textiles to cars in talks with Government Ministers to-morrow.
Page 7

● **MORTGAGE ARREARS** rose almost by three times to £15m. at the end of 1974, but this figure is still minimal compared with the total commitments of the building movement.
Page 4

● **PETROFINA**, the Belgian oil concern, made a net profit of B.Frs.2.275bn. (£28m.) in the half-year to June 30, against B.Frs.2.206bn. in the same period last year.
Page 29

● **CITROEN** president expects 1975 to be less of a financial disaster for the French car group than had been feared at the end of 1974.
Page 30

● **HALIFAX BUILDING** Society's headquarters in Halifax is one of seven "outstanding examples" of architecture which have won awards in the Royal Institute of British Architects' 1975 competition.

ON OTHER PAGES

For latest Share Index 'phone 01-246 8026

Ford gives pledge of co-operation on economic policy

BY NICHOLAS COLCHESTER: BONN, July 27.

President Ford and Chancellor Helmut Schmidt of West Germany have agreed that it is "vitally important" that the economic policies of Germany and the European Community be integrated with those of the U.S., the American President announced here to-day.

The statement suggested that the week-end's double summit in Bonn could be a turning point for Western economic co-operation at a time of overall economic slump and in face of the new strength of the suppliers of oil and raw material.

The German Government spokesman, Herr Klaus Bolling, stressed that President Ford had given Herr Schmidt an assurance that the U.S. would bring consideration of Europe's economic position into America's economic planning.

The German Chancellor had said that Germany would be ready "day and night" to involve itself in America's economic decision-taking by sending teams of its own economic officials to Washington. President Ford had agreed with Herr Schmidt's basic point that there must be "concrete co-operation" to ensure that economic problems did not lead to dangers for Western democracy.

In his talks with President Valery Giscard d'Estaing of France and with President Ford, Herr Schmidt has made some progress in pursuit of his favourite cause.

First the two European leaders invited the other countries of the "currency snake"—Belgium, Holland, Luxembourg and Denmark—to match a Franco-German programme of co-ordinated economic stimulus. Then the American President came out with his strongly-worded pledge of economic co-operation.

The question here to-night is the extent to which the U.S. President means what he says. It has not been lost on observers here that these top-level pledges of economic togetherness have come at a time when all the countries involved have a common need to accelerate the pace of their business activity.

By themselves the statements made this week-end do not provide any guarantee that the co-operative spirit will hold under more diverse circumstances.

The Chancellor now hopes that substance can be added to good intentions at the Security Conference summit meeting in Helsinki later this week. On Thursday the British Government is acting as host to a meeting between the U.S., France, West Germany and Britain. Herr Schmidt will be using the time between now and then to develop suggestions for the "concrete co-operation."

According to the German Government spokesman Herr Schmidt hopes that the conversation at this meeting will move beyond economic analysis towards creating some system for the crisis management of world economies—not an institution but a plan for co-operation.

With the French President, Herr Schmidt agreed that the four countries at the special meeting in Helsinki should also use the occasion to prepare the ground for the talks on a re-shaping of the currency system that have been advocated by President Giscard. If this plan goes ahead these discussions will take place before the end of the year and will include Japan, the only one of the five major Western industrial powers that has not had its leader in Germany over the past five days.

President Ford will also be in a position to inform the Japanese Government of the week-end's discussions when Prime Minister Miki visits Washington early next month.

The U.S. President brought the German Chancellor up to date on the prospects of economic recovery in the U.S. "We are making a turn towards a healthier economy" he told the Press.

Herr Schmidt, who has looked upon the reported improvement in the business atmosphere in the U.S. with some scepticism, said afterwards that President Ford's latest news had "brightened the sky over future developments."

The meeting on Friday night

Continued on Back Page

Helsinki summit Page 27

Optimism wears thin over Sinai peace negotiations

BY ALAIN CASS

BOTH ISRAEL and Egypt are once again talking about the possibility of war as the mood of relative optimism which prevailed over negotiations for an interim settlement in Sinai up to a week ago wears thinner.

Despite a willingness by both sides to go on talking and the continued diplomatic activity orchestrated by the U.S. on a more subdued level, positions have hardened and there is growing suspicion in Israel and Egypt of each other's ultimate intentions.

President Sadat said in Khartoum that Egypt's armies had been placed on 24-hour alert and were fully mobilised to go to war if there is no progress towards an agreement in Sinai.

Mr. Sadat, addressing a news conference before leaving for the Organisation of African Unity's summit in Kampala, said he would not allow what he considers Israeli stalling tactics to continue once the United Nations Emergency Force mandate in Sinai expires on October 24.

In what could be seen as a gesture to the Israelis, however, he said that, for the time being, he was against Israel's expulsion from the UN despite a call by OAU foreign ministers to that effect. "If we are to demand that Israel implement UN resolutions," he said, "then Israel should be in the UN to implement them."

In Tel Aviv, meanwhile, an Israeli military source said that the two countries were "within hours" of war last week when Egypt waited until the last minute to renew the mandate.

He added that war would almost certainly erupt if the present mandate is allowed to expire in October, though officials were also reported to be trying to play down the present crisis by saying that there was no sign of hostile activity on the Egyptian lines.

Brinkmanship

In Jerusalem the Cabinet met for five hours to hear a report from Mr. Rabin, the Prime Minister, on his rejection of most of the Egyptian proposals, while in Bonn Dr. Henry Kissinger consulted the U.S. Ambassador to Cairo, Mr. Hermann Eilts, who is flying back to the Egyptian capital to hand the latest Israeli terms to President Sadat.

Mr. Sadat's brinkmanship of last week and the hardening of Israel's position in response have clearly had their effect in undermining the progress of negotiations.

What is not clear is whether the latest bout of threats and accusations is merely tactical and designed to conceal the fact that the talks have reached their crucial stage or whether serious damage has, in fact, been done to the web of confidence that Dr. Kissinger was beginning to build up.

The pressure on the U.S. to keep things moving is now considerable, though it must now be in doubt whether Dr. Kissinger will be able to keep to his original plan, which was to resume his shuttle in early August to tie up the loose ends of an agreement which officials were saying ten days ago was substantially negotiated.

At the same time, however, reports from Dr. Kissinger's entourage remain doggedly optimistic that a settlement, though more complicated, could still be reached before the expiry of the present UNEF mandate.

IN AMMAN, Mr. Zeid Rifai, the Prime Minister, said that Jordan will stand by its decision to call off a $350m. arms deal with the U.S. if Congress forces cuts in the order.

Other developments Page 5

Stock-cutting by M & S may put suppliers on short-time

BY ELINOR GOODMAN

MARKS AND SPENCER is cutting its stock levels by over 10 per cent. in a move which may mean that many of its suppliers have to introduce some form of short-time working. The company's stocks, however, will still be higher than a year ago, this is the first across-the-board reduction to be made since 1952.

In an attempt to reduce stocks quickly, Marks is offering considerably more items at cut prices than ever before.

'Prudent'

The company emphasised yesterday that it was not anticipating a fall in sales volume. The cut in stocks, it said, was "prudent" in light of deflationary measures "which mean we will have to fight for a larger share of a smaller market." Sales forecasts for the latter half of this year had been lowered in view of "disappointing sales" in some areas this month.

Marks, traditionally one of the most sought-after customers among manufacturers, has had a series of meetings with its suppliers over the last few weeks. It has told them it is cutting its planned purchases of goods for delivery in autumn and spring by between 5 and 10 per cent. In some cases Marks may trim orders by as much as 20 per cent.

Already the Courtaulds subsidiary Northgate has had to drop its nigh shift partly as a result of the Marks moves. It is likely that other suppliers will have to take similar steps. Marks says it has no specific plan to cut its own staff but that it is looking at the question of staff replacement "very critically in some areas."

Quick switch

Only three weeks ago Mark's chairman, Sir Marcus Sieff, indicated that volume sales in the first quarter were running between 10 per cent. and 15 per cent. higher than last year's. The downturn since then is further evidenced by Government statistics of retail sales.

The company says it is still optimistic about the future but that it is adopting a more "cautious" approach to buying, particularly of fashion goods.

That such an accepted market leader as Marks should be cutting back on orders comes as yet another blow to the depressed textile industry. The retail trade generally has been carrying out a de-stocking policy over the past six months — partly because of the cost of financing stocks and partly in anticipation of a fall in consumer demand.

The latest Government figures show that retailers' stocks fell by £65m. in the first quarter of this year, after a reduction of £134m. in 1974 (figures based on 1970 prices seasonally adjusted).

Sales fall

Retail sales have also begun to show signs of the long-expected downturn, with consumer spending falling by 1½ per cent. between the first and second quarters.

Marks says that the decision to slim forward ordering is the result of a number of factors beside the expected fall in consumer sales. Because so many of its suppliers were suffering cuts from other customers, Marks has tended to take up some of the slack, thus inflating its own stock.

Drop in rights issues expected

BY STEWART FLEMING

STOCKBROKERS involved in raising over £850m. for companies through rights issues this year now expect a drop in new fund-raising operations as a result of the decline in share prices and in the level of activity on the Stock Exchange in recent weeks.

Although it is believed that dates for further rights issues have been booked in the queue organised by the Government broker as far ahead as late September, brokers are already reporting that some companies which had been expected to announce issues in the next two weeks have decided to drop out of the queue. They add that unless there is a marked recovery in share prices, issues planned for September are likely to be withheld.

The FT ordinary share index has fallen 8.5 per cent. to 256.7 during the past two weeks. Compared with an average equity turnover of £80m. a week during the year, turnover last week declined to under £50m. Last week's average daily bargains marked were the lowest of the year.

These factors, and the large sums that have already been raised, have given rise to what one broker described as "an element of indigestion" in the rights issue market. He pointed to the possibility that with the fall in share prices some companies will have decided that rights issue money is now too expensive.

Near par

In other cases, it is suggested that the price of some companies' shares has fallen so close to par value that the companies can no longer make an issue offering a large enough discount on the current price to be sure of firm underwriting.

A further factor is the enthusiastic response to the £750m. offer of Government stock this month. It was reported that applications had been received for between £650m. and £700m. Stockbrokers suggest that institutional investors would not have allocated the whole of this sum to the private sector new issue market in the absence of Government issue, the response has reduced the liquidity of the new-issue market.

As one broker put it, companies which are particularly anxious to raise new equity funds, or those with special attractions for investors—such as a big rise in profits or dividends to announce—will be reluctant to postpone planned issues.

Civil Service union rejects £6 limit

BY JOHN WYLES, LABOUR REPORTER

BRITAIN'S largest Civil Service union, the Left-wing dominated Civil and Public Services Association, has rejected the new £6 flat rate pay policy and called a radical alternative strategy based on controls of capital outflow and more public ownership.

Claiming that an incomes policy must be accompanied by "greater social ownership," the CPSA's national executive voted 15 to 4 at the week-end to oppose the Government's new anti-inflation policy. This comes on the eve of the ballot by Britain's miners which will be spread over the next three weeks and is expected to produce a result at the end of the month substantially in favour of the Government's policy.

Majority

The CPSA decision, which was not unexpected in view of the union's steady move to the Left in recent years, means that the total number of votes opposing the Government's White Paper at the annual TUC Congress in September will be swelled by another 215,000.

But the scene is still set for a majority for the White Paper amounting to around 2 to 1. Opponents of the new pay policy will be led by the Amalgamated Union of Engineering Workers and the Association of Scientific, Technical and Managerial Staffs. Even though they have now been joined by the CPSA, with the National Union of Public Employees possibly joining their ranks later this month, the total vote against the Government is still only likely to be around 2.5m. to 3m. out of a possible 10m.

With the prospect of this defeat in mind, the CPSA executive also decided to campaign for a special TUC Congress to be held early next year to review developments on the pay policy front.

A union spokesman said yesterday that the CPSA believed that the Government was holding its statutory pay powers in reserve until after the September Congress and that once these were introduced later in the year, there would be a demand from many unions for a change in the TUC attitude.

The CPSA represents a broad range of secretarial and clerical grades in government offices and departments. With the 65,000-member Society of Civil Servants already opposing the £6 policy, it remains to be seen whether the CPSA decision poses a real threat to Civil Service pay bargaining which would normally take place early next year on the basis of comparisons with pay rates in outside industry.

This procedure is expected to be suspended during the life of the £6 policy and some CPSA Left-wingers are arguing in favour of the union mounting a lone challenge on pay, if, as is likely, the majority of unions on the staff side of the Civil Service Whitley Council agree to toe the Government's line.

Statement

The second largest civil servants union, the Institution of Professional Civil Servants, which is not a member of the TUC, is expected to support the Government policy at a meeting of its national executive to-day. This would deny the anti-pay policy unions the two thirds majority needed to make policy on the Whitley Council staff side.

It would also reduce any temptation to oppose the policy which the National and Local Government Officers Association and the National Union of Teachers would feel if the Civil Service unions were all clearly challenging the Government.

A statement issued yesterday by the CPSA executive clearly echoed the tones of its militant majority. Rejecting the notion that wages are the main cause of the present crisis, the union described the White Paper as "an extreme attack on workers' living standards" which would produce unprecedentedly large-scale unemployment.

● Another union which may oppose the White Paper at the September Congress, the 71,000-member National Association of Schoolmasters, has been assured by Mr. Len Murray, TUC general secretary, that the £6 formula is only a "temporary policy put forward for the coming year to arrest the inflationary process, prevent massive unemployment and enable the Government to carry out its industrial programme."

Mr. Murray was replying to a letter from the NAS which complained of the effects of the flat-rate formula on the interests of public sector professional workers whose pay is structured on promotion and increments.

The TUC general council appreciated these problems, said Mr. Murray, who added: "It is certainly not envisaged as a permanent policy for continually eroding differentials either between or within negotiating groups."

LOMBARD

Deepening crisis of capitalism

BY C. GORDON TETHER

"What has most disturbed me in recent years," said Sir Keith *Joseph*, the Tory Party's policy planning specialist, "is the failure of academics to provide a disciplined disagreement with politicians." He went on to say that this "betrayal of their principles" had caused teachers in the institutes of higher education to encourage "meaningless dissent from society's traditional rules and morals."

I am quoting his words because they are a good example of the current popularity of "academic-bashing" in the business world and among the political advocates of the capitalist system. The head of the giant Chase Manhattan Bank, Mr. David Rockefeller, provided an internationally oriented illustration of the new phenomenon *a short time back when* he roundly condemned academics all over the world for launching "the fiercest political and rhetorical assault on the multinational companies."

He maintained that these people were doing a disservice to humanity by impeding the advance of what he saw as one of the most progressive features of the world scene and, to make matters worse, were doing this in the name of the "liberal tradition."

Accusing finger

Defenders of the status quo are, of course, entitled to complain if its critics engage in "meaningless dissent" for the sake of grinding political axes or similar purposes. But in considering whether pointing the accusing finger at academics is *justified* or not, one has to remember that one of the most effective ways of trying to dispose of the challenge from dissenting voices is to label their *pronouncement as meaningless.*

These things have particular relevance to the question of how much justification there is for the strength of current academic *dissent from Establishment* concepts—particularly that relating to the functioning of the capitalist system. For there is a good deal of evidence that the economic turmoil now manifesting itself on all sides—as, for example, in a British unemployment figure that is the worst since World War II—is the product of a major breakdown in the functioning of that system comparable to that which it suffered between the wars.

In such circumstances there is obviously going to be plenty of scope for academics to engage in extremely meaningful dissent about the value of the capitalist system and the part that it should play.

"We have come a long way since the U.S. President's 1965 Economic Report could assert that no law of the market nowadays compels a market economy to suffer from recessions or periodic inflation." So writes Professor Frederick Clairmonte in an article on "Capitalism's Deepening Crisis" in a recent issue *of the U.S magazine* "Economic and Political Weekly." And with obvious justification. For, as he goes on to point out, increased unemployment and slower growth—with all its presumably deflationary corollaries—has become the hallmark of capitalist wisdom.

Besides striving to reduce the effectiveness of allegations that the system is in serious trouble by denigrating those who make them, defenders of the faith are making great efforts to foster the impression that the present crisis *is little more than a local dis*turbance—an aberration sparked off by the unruly behaviour of the oil-producing countries and the excesses of trade union leaders.

But what they cannot offer is any assurance that, once these inconveniences have been disposed of or contained, the system can be got back on course and held there. There is, after all, plenty of evidence that the present crisis has been building up over a considerable period of time. The process of flooding the world with dollars, which must bear a major part of the responsibility for the global plunge into double figure inflation, was well under way by the second half of the 1960s.

Normalcy

No attempt is being made to diagnose the causes of these phenomena—still less to devise agreed ways of ensuring that they are eliminated for good. So there can be no logical reason for supposing that the present crisis, or a variant upon it, will not recur within a short time of things having been restored to "normal."

I say "within a short time of things having been restored to normal." But the reality is that so much of the fabric of the system has now been torn away that there are very serious *doubts as to whether it can ever* be restored to working order. There are even doubts as to whether the recession trends that have been set in motion by the *industrial world's new emphasis* on unemployment and slower growth can be halted when they are deemed to have achieved their objectives.

In short, in this field—and the same may well be true of many others—it is the dissenting voices of the academics that are making the most meaningful sounds. *And it will make far more sense* to listen to their message than to dismiss it as irrelevant or harmful.

THE WEEK IN THE COURTS

Who pays for a judicial South Sea expedition

BY JUSTINIAN

THIS TIME next week the Law Courts in the Strand will be silent, except for an occasional excursion by a litigant with some urgent problem that can be classed as vacation business. The lawyers will repair to the beaches for the annual long vacation which last the whole of August and September.

But as he starts his own holiday one member of the judiciary, Mr. Justice Megarry, a renowned *judicial litterateur*, will be contemplating and planning his forthcoming trip to two South Pacific Islands, the subject matter of a long drawn-out case he has been trying in the Chancery Division of the High Court.

A week ago Mr. Justice Megarry decided, on the application of representatives of land owners in Ocean Island, in the *Gilbert and Ellice* group, *that he* would visit that island and the island of Rabi. The aim is to enable him the better to understand and apply the evidence that has already occupied the court's time for 14 weeks*.

The British Phosphate Commission and the Crown—defendants to the action—opposed an unprecedented disruption of court proceedings, on the ground that a view of the islands was unnecessary and costly. The courtroom has been littered from the start with *photographs, maps and plans of* the territory to give the judge a total picture that provides more detail than even the human eye can take in at any one time. All that the visit might do is to bring to life what is depicted in the documentary material.

The claim of the island representatives is primarily for decrees of specific performance of certain agreements to replant, with coconut and other food-bearing trees, some 250 acres of Ocean Island which had been substantially worked out by phosphate mining, leaving a rugged terrain of jagged peaks of coral limestone, dropping down some 80 feet or more to excavated pockets.

Occupied

During the war Ocean Island had been occupied by the *Japanese who deported many of* the inhabitants. After the war the surviving inhabitants, for nearly 30 years, have been living 1,600 miles away on the island *of Rabi, in the Fiji group.*

It is not often that judges desert the judicial bench and conduct part of a trial outside the courtroom. There is a *certain safety in restricting* the legal process to oral testimony and documentary evidence and in bringing real evidence to court where necessary.

Sometimes the real evidence is too large and cumbrous to get into court. If a court wants to inspect a vehicle involved in an accident (although contemporary photographs are usually a better *guide to what happened) the* offending object can be brought into the courtyard outside.

The immobility of land, of course, demands that Mahomet must go to the mountain. And occasionally judges, not content with plans and maps, do go and see the actual piece of land that is being forensically fought over. Invariably the parties agree that *the court should go* and inspect. Since the cost is rarely prohibitive, or indeed more than a tiny proportion of what is being spent on the litigation, there is rarely an objection to such a visit.

Most of us would relish the prospect of a trip to two remote and romantically sounding South Sea islands as part of our otherwise humdrum occupations. One *could readily* appreciate, therefore, that a judge, cocooned for 10 months in the year during the hours of work in the stuffy atmosphere of book-lined courtrooms, mostly sealed off from daylight, would jump at the opportunity of light and fascinating relief in the form of a fortnight's trip to the Pacific.

Mr. Justice Megarry, however, *presented himself* as the most reluctant of travellers to far-off parts. A view of Ocean Islands, he said, would be far removed from being a pleasant holiday trip to the South Seas: "The journey would be long and exhausting, and proper inspection of the rugged terrain would probably involve a considerable degree of strenuous agility in a high temperature."

But despite the anticipated wear and tear, even upon so robust and stoic a figure as Mr. Justice Megarry, the judge thought that it was his duty to go if it was a means of furthering the interests of justice.

Surprisingly, the judge went so far as to say that the proper approach of a court, *faced with* an application to visit the *locus in quo*, was not whether a sufficient case for a view had been demonstrated but whether there *were sufficient grounds for rejecting it.* Is it really the case that the burden of proof was on those who objected to the judge making the visit to show why he *ought not* to go? The jurisprudence hardly seems to bear out that approach adopted by the judge. The burden of proof is surely on the party that seeks a departure from the ordinary practice of trial courts.

Losing party

Who is going to pay for this judicial expedition? Presumably the ordinary rule will apply that the losing party in the litigation will have to bear this cost, along with all the other reasonable costs of the action.

The decision made by Mr. Justice Megarry bristles with other interesting issues about the conduct of trials and the *method of garnering evidence* on which a court can adjudicate. It would be helpful if the objectors were to appeal the decision, in which case three appeal court judges could pronounce upon an important procedural aspect of the English litigious process which, as this column has sought to point out from time to time, is becoming increasingly over-costly.

Obstacles

But one can understand that the objectors (in effect, the British, Australian and New Zealand Governments) do not want to appear to be putting any forensic obstacles in the way of the islanders who feel bitterly that they have been deprived of their mother land.

They may resignedly accept the ruling of Mr. Justice Megarry, and hope that the advantage of a judicial view will prove to be more helpful towards a rightful solution. But the prospect of a party consisting of the judge, his clerk and one barrister and solicitor for each of the *three parties to the litigation* traversing several thousands of miles in a cause of limited value is one that deserves further public scrutiny.

* *Tito v. Waddell, The Times Law Report, July 21, 1975.*

CRICKET — BY TREVOR BAILEY

England pit Wood against Australian speed

NOBODY SHOULD be surprised by the devastation which Lillee and Thomson caused among English batsmen last winter and at Edgbaston *this summer. It has* all happened before and will undoubtedly occur again.

The two-pronged threat of a pair of genuinely fast bowlers has long been the classic recipe for winning a Test series, as has been demonstrated by Gregory and McDonald, Larwood and Voce, Lindwall and Miller, Tyson and Statham, Trueman and *Statham, Hall* and Griffith.

Now we have Lillee and Thomson, whose demolition act has been made easier by the lack of international-class English players capable of building a big innings against real pace.

Whatever team the selectors gave the new captain, Tony Greig, for the Lord's Test starting on Thursday the odds must be *strongly against* an English victory—unless it should rain and Underwood takes charge, or unless the pitch should be of the slow, green variety, in which case our seamers would certainly be capable of dismissing an Australian batting line-up which, apart from Greg Chappell, is not all that impressive.

Why have fast bowling duos proved *so successful in* Test cricket over the years? First, sheer speed can cause the downfall of any batsman on a perfect pitch. Second, it uncovers the *timid* and the apprehensive who, with two fast bowlers around, are unable to seek sanctuary at "the other end." Third, speed is a sharp psychological weapon against any batsman worried *about being hurt. Fourth, if* numbers one to six are not keen to face real pace (England has, of course, had exceptions, such as Bill Edrich, Reg Simpson and Brian Close who thrive on the challenge), it follows that the tail is even less enthusiastic and therefore unlikely to wag.

Lillee and Thomson are a formidable pair, capable of bowling faster than any of our own pace men. It is never easy to estimate speed, but I recall asking Arthur Morris, who had the unenviable responsibility of opening for Australia when Tyson was running riot, what it was like.

At the time I was a fast-medium bowler of around Arnold's pace. Arthur put the difference in speed between Statham and me, which was considerable, as Statham was yards the faster, as the same that divided Statham and Tyson. This *was a very big gap.*

Pure pace apart, Lillee has developed into an outstanding bowler who sometimes moves the ball appreciably, both in the *air and off the pitch, and has* acquired excellent control. He is far better than on his last tour and like, his partner, has plenty of stamina.

Thomson, with a slinging action which is not yet completely grooved, is more straightforward but he is very difficult to pick up early. Although often sending down loose deliveries, *many go unpunished because of* his speed.

This exceptionally dangerous pair, with their contrasting styles, are made the more formidable by the backing of the admirable and indefatigable Walker. He may appear awkward but he is a splendid seamer who is willing to keep going for long periods up the *hill or into the wind.*

Four changes have been made in the England squad of 13 who assembled for the First Test. Denness, Fletcher (top scorer). Arnold *(rather unlucky)* and Hendrick (presumably on fitness grounds) depart and are replaced by Wood, David Steele, Peter Lever and Edmonds.

Wood *is a pugnacious opening* bat who thrives on pace, and, though he is suspect against top class spin, the Australians are unlikely to be able to exploit this weakness. Steele, aged 30, is a very consistent scorer in county cricket with plenty of determination, but a career average of only 30 over the past decade is hardly the ideal pedigree *for an international* cricketer, once again highlighting the selectors' problems.

Lever is an experienced seamer, and Edmonds, who is unlikely to be in the final XI, is a highly promising all-rounder.

LAWN TENNIS — BY JOHN BARRETT

Post-Wimbledon pattern shows strengths and weaknesses

THE post-Wimbledon season in Britain has developed a distinct pattern that is both a weakness and a strength.

Lack of sponsorship and the consequent absence of international star players has led to the demise of the Welsh championships at Newport and the popular Northern tournament at Hoylake. It has reduced the remaining tournaments to a largely domestic entry. That is not to say that the huge meetings at Felixstowe, Frinton and the smaller one in Huddersfield were anything less than successful.

In fact, the weight of entries everywhere confirms the early season impression that there is a steadily growing demand for opportunities among the leading club and county players. They compete quite happily with the minnows of the international circuit remaining in the country but do not aspire to the mainstream of professional tournaments which are now beyond their reach.

If further proof were needed of the general health of the amateur game, it was provided magnificently once again last week by the *exploits of the* county teams in their traditional nation-wide doubles festival known as "county week."

Seven men's groups and as many women's *groups, each con*taining six teams of three doubles pair apiece—a total of more than 600 players altogether—fought for five days to *determine promotion and rele*gation between the groups.

All this involved considerable personal expense in most cases despite the overall sponsorship *of Prudential Assurance.*

In the championship group at Devonshire Park, Eastbourne, the young men of Middlesex led by Richard Lewis and Chris *Bradnam and all* aged beween 17 and 21, turned the key of ultimate victory on Thursday with a storming victory against the then unbeaten Essex team.

Although they then lost to Surrey who had earlier been victims of Essex, a convincing 7—2 margin against Warwickshire on the last day saw them safely home, assisted appropriately by an old Davis Cup stalwart Bobby Wilson.

The ladies of Devon, a well-balanced blend of youth and experience, were confidently led by the bright young lady of British tennis, Sue Barker, playing with Judy Congdon. They remained unbeaten until Miss Barker's back injury on Thurs*day forced her to retire.*

They were ably supported by Annette Coe with Corinne Molesworth and Jenny Helliar with Nuala Dwyer, who together made *sure of their title before the last* match had begun.

The importance of the 20 magnificent grass courts at Devonshire Park to the whole *structure of British tennis* is further emphasised this week and next by the appearance there of the best youngsters in the country.

Next week the 12- to 16-year-olds will appear but to-day we shall see the start of the Green Field National Junior Grass Court Championships for the best under-18s.

Last year's winner, Andrew Jarrett of Derbyshire, has been seeded second to the boy he beat in last year's final, Christopher Roger-Vasselin, a talented performer with both French and English qualifications who has opted to play for France.

At his best, the double-handed *Jarrett is capable of retaining* his title and I am sure he will wish to show the seeding committee that they have erred.

The best of the girls is 18-year-old Linda *Mottram* who is a recent addition to this year's Wightman Cup team and a member of the British team which regained the Annie Soisbault Cup ten days ago—the European equivalent of the Federation Cup for 20-year-olds.

YACHTING

Early start at Cowes

By Alec Beilby

COWES WEEK, it seems, has started early this year according to the yachtsmen even if the organisers and race officers at the yacht club may not agree. The week officially begins next Friday with the first race of the Admirals Cup series, the 220-mile Channel Race starting from Cowes, but racing here during the weekend has been truly international, with most yachts of the 20 nations that will compete for the Admirals Cup taking part.

Amid a maritime Tower of Babel atmosphere the four crews from the Royal Thames Yacht Club prepare for a week of racing against the *Seawanhaka* Corinthian Yacht Club of Oyster Bay, who accepted a challenge signed by Prince Charles as commodore of the Royal Thames YC.

The sixth race in the Solent Point series was a gentle muscle-flexing event for the Admirals Cup yachts, with Robin Aisher's Yeoman XX, the smallest yacht *in the British team, taking first* place.

In to-day's race, which the wind made rather a lottery, the two German yachts competing *took third and fifth places and* again asserted their potential.

Although first home, Mandrake, many of whose crew used to race Jesse Philips' Charisma, was robbed *of first place* by the smaller Austrian Don Alberto, the shortened race, in the opinion of those who took part, virtually restarted only four miles *from the finish, giving* the advantage on handicap to the smaller yachts.

POLO — BY MICHAEL DONNE

S. American power aids victory

SOUTH AMERICA won the Coronation Cup International polo match at Smith's Lawn, Windsor, by ten goals to six. It was a match distinguished by the superior pony power of the *South American team, coupled* with poor marking by England that repeatedly left the goal wide open, resulting in many missed opportunities.

In spite of some individual patches of brilliance by Michael Hare—who scored three of the English goals—and Paul Withers, the English team lacked the power and cohesion of their opponents.

England opened the scoring in the first chukker with a clean shot by Michael Hare, which was quickly followed by a second goal scored by Julian Hipwood.

For a moment it seemed as though the English team were *going to dominate with fast* attacking polo.

It was not to be, however. In the second chukker, the South Americans began to turn on the *pressure which they maintained* throughout the first half of the match. By half time they had already established a comfortable lead of five goals to two.

Even at that point, however, it would still have been possible for England to retrieve the match. But they really had nothing more to offer.

During the second half, the match was dominated by a succession of strong South American attacks which achieved their desired result, quickly lifting the score by the fifth chukker to seven goals to three.

With the encouragement of the crowd, accompanied by a partisan commentator, England did try to pull something out of the bag. But their efforts were defeated by the South Americans, of whom Edouardo Moore was the star performer.

Moore achieved the *coup de grace* in the final chukker by putting in the tenth for his team. This was followed by a last-ditch attempt by England, Michael Hare scoring their sixth goal.

In the second international match of the day, for the Wills Trophy, a team from the Commonwealth beat England's No. 2 side by five goals to four.

England: *1 Michael Hare* (Handicap 3); 2 Howard Hipwood (7); 3 Julian *Hipwood* (captain) (8); and back Paul Withers (7).

South America: 1 G. Pierez (8); 2 Edouardo Moore (9); 3 J. J. Diaz Alberdi (captain) (7); and back H. Barrantes (7).

RACING — BY DOMINIC WIGAN

Grundy proves his greatness

IN WHAT to many racegoers was the most exciting and memorable running of the *King* George VI and Queen Elizabeth Stakes in its 25-year history, Grundy proved that he is not just an average Classic winner in a poor year but a great horse by *any* standards.

His winning time of 2 min. 26.98 sec. in the De Beers-sponsored race was 3.5 sec. faster than that achieved by *Dahlia when clocking the best* previous King George time (against Rheingold in 1973) and it lowered the 1½-mile course record by just over 2 sec.

Grundy, *who in the process of* wearing down the much improved and courageous Bustino to land the £81,910 first prize, brought his earnings to £312,122, another course record for a horse trained in Britain.

It seems probable that the Seven Barrows colt, astutely secured for the National stud by Sir Desmond Plummer, the Levy *Board chairman, will go next for* the Benson and Hedges Gold Cup at York before bowing out in another race which has often produced a turn-up—the Champion Stakes at Newmarket.

Bustino, for whom Kinglet and Highest did such good jobs as pacemakers, seems likely to be rested before being prepared for the Prix de L'Arc de Triomphe at *Longchamp in October.*

Dahlia, far from disgraced in third place, may be sent on much the same campaign as last year, with the Benson and Hedges Gold Cup, the Man O' War Stakes and the Washington International as her principal objectives. She is returning to her peak and should be worth going a long way to see in action.

Much the most valuable event to-day is Newcastle's Harry Peacock Challenge Cup in which Kew Gardens will be trying to concede from between 10 lb and 25 lb to his eight opponents. It *may pay racegoers to row in with* Duncan Sasse's in-form Berkshire stable, represented by *Big Venture.*

At Windsor, Lester Piggott should have few problems on *Corriefeol* in the Nimble Plate and *Never Been Kissed* appeals as a good proposition for the weekly contested July Plate.

NEWCASTLE
2.30—*Stalybridge*
3.30—*Big Venture***
4.00—*Ortolano*

NOTTINGHAM
6.00—*Haberdasher*
7.55—*Perfect Love*
8.20—*Ribbentrop*
8.50—*Grey Ghost*

WINDSOR
6.15—*Fly High*
7.15—*Extrovert*
7.45—*Corriefeol****
8.15—*Never Been Kissed**
8.45—*Fighting Brave*

TV Radio

BBC 1

† Indicates programme in black and white.

10.05 a.m. Hector's House. 10.10 Daktari. 1.30 p.m. Andy Pandy. 1.45 News. 4.23 Regional News (except London). 4.25 Play School. 4.50 Screen Test. 5.15 Here Come The Double Deckers. 5.40 Sir Prancelot.
5.45 News.
6.00 Nationwide (London only).
6.25 Tom and Jerry.
6.30 Sportstown.
7.10 Star Trek.
8.00 My Honourable Mrs.
8.30 The Likes Of . . . Lord Hailsham of St. Marylebone.
9.00 News.
†9.25 The Monday Film: "King and Country," starring Dirk Bogarde and Tom Courtenay.
10.50 Read All About It.
11.20 The Sky At Night.
11.40 Weather/Regional News.

All regions as BBC 1 except at the following times:

Wales—1.30-1.45 p.m. Pili Pala. 6.00-6.25 Wales To-day. 7.10-7.30 Heddiw. 7.30-8.00 O'r Wladfa. †10.50-11.20 Cwestiwn Arall. †11.40 News of Wales.

Scotland—6.00-6.25 p.m. Reporting Scotland. 10.50-11.40 Special Unit. †11.40 Scottish News Summary.

Northern Ireland—4.23-4.25 p.m. Northern Ireland News. 6.00-6.25 Scene Around Six. †11.40 Weather, News Headlines.

England—6.00-6.25 p.m. †Look North (from Leeds, Manchester, Newcastle); †Midlands To-day (from Birmingham); †Look East (from Norwich); Points West (from Bristol); †South To-day (from Southampton); †Spotlight South West (from Plymouth).

BBC 2

7.05 a.m. Open University.
11.00 Play School.
5.00 p.m. Open University.
7.30 Newsday.
7.45 Look, Stranger.
8.10 High Chaparral.
9.00 Horizon.
9.50 *Centre Play.*
10.15 Rufus Thomas in concert.
10.55 News Extra.
11.25 Closedown: Hugh Burden reads "Miss Tippett," by Lewis D. Lawless.

LONDON

10.50 a.m. A Big Country. 11.20 Spiderman. 11.40 Galloping Gourmet. 12.05 p.m. Yoga For Health. 12.30 Sally and Jake. 12.40 Hickory House. 1.00 First Report: News, FT index. 1.20 Lunchtime To-day. 1.30 Gambit. 2.00 Good Afternoon. 2.30 "The Long, Long Trailer," starring Lucille Ball and Desi Arnaz. 4.15 Cartoon. 4.20 Clapperboard. 4.50 The To-morrow People. 5.20 Musical Triangles.
5.50 News From ITN.
6.00 To-day.
6.45 *Whodunnit?*
7.30 Coronation Street.
8.00 Man About The House.
8.30 Gosling's Travels.
9.00 Sam.
10.00 News.
10.30 Cimarron Strip.
11.55 One Point Of View.

All ITV regions as London except at the following times:

ANGLIA

1.30 p.m. Afloat. 2.00 Houseparty. †2.30 Monday Afternoon Film: "The Prisoner of Zenda," starring Ronald Colman. 5.20 University Challenge. 6.00 About Anglia. 10.30 The Brian Connell Interviews: Dr. John Treasure, chairman of advertising agency J. Walter Thompson. 11.00 Police Surgeon. 12.25 a.m. Reflection.

ATV MIDLANDS

1.20 p.m. Lunchtime Newsdesk. 2.30 Monday Matinee: "Jessica" starring Angie Dickinson and Maurice Chevalier. 5.20 University Challenge. 6.00 ATV Today. 10.30 Platform for Today. 11.15 A Place in Europe.

BORDER

†1.25 p.m. Border News. 2.00 Houseparty. 2.30 Monday Matinee: "Funny Face," *starring* Audrey Hepburn and Fred Astaire. 5.20 University Challenge. 6.00 Border News and Lookaround. 6.15 Out of Town. 10.30 Border Month. 11.15 Night Gallery. 11.30 Border News Summary.

CHANNEL

1.20 p.m. Channel Lunchtime News and What's On Where. 2.00 Short Story. 2.30 The Monday Matinee: "Never Let Me Go." 5.20 University Challenge. 6.00 Channel News. 6.10 After Six. 10.30 A Place in Europe. 11.00 News and Weather in French followed by Channel Gazette.

GRAMPIAN

12.00 p.m. The Greenlanders. 12.10 The Coastguards. 12.35 Lunchtime Call. 1.20 Grampian News Headlines. 2.30 Flair. 3.00 Monday Matinee. 5.20 University Challenge. 6.00 Grampian News. 6.10 Police Newsroom. 6.15 New Who Do You Do. 10.30 A Place in Europe. 11.00 Police Surgeon. 11.30 Evening Prayers.

GRANADA

10.30 a.m. Sesame Street. 11.25 The Rovers. 11.50 Technoflash. 12.10 p.m. Sunaray. 12.35 Babar the Elephant. 1.20 This Is Your Right. †2.30 Monday Matinee: "Mandy," starring Phyllis Calvert. 1.20 This Is Your Right. †2.30 Monday Matinee. †4.10 *Passing Parade.* 5.20 Shang a Lang. 6.00 Granada Reports. 10.30 A Place in Europe. 11.30 The Streets of San Francisco.

HTV

1.20 p.m. Report West Headlines. 1.25 *Report Wales Headlines.* 2.00 Housecall. 2.30 The Monday Matinee: "Down To Earth," starring Rita Hayworth. 5.20 Rock on With 45. 6.01 Report West. 6.22 Report Wales. 10.30 A Place In Europe. 11.00 Experimental Film Season.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 2.00-2.30 Hamdden. 6.01-6.22 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.22-6.45 This is The West This Week.

SCOTTISH

1.25 p.m. Road and Weather Report. 2.00 Out of Town. 2.30 Feature Film: "The Wrong Box," starring John Mills and Ralph Richardson. 5.20 University Challenge. 6.00 Scottish News. 6.05 Isabel on Monday. 10.30 Late Call. 10.35 *More Animate Objects.* 11.05 Wish You Were Here.

SOUTHERN

11.00 a.m. Yoga For Health. 11.20 The Vital Earth. 11.45 Training the Family Dog. 12.05 p.m. Skippy. 12.30 Hammy Hamster's Adventures on the Riverbank. 1.20 Southern News. 2.00 Houseparty. 2.30 The Brandon Exchange. 3.25 Anna and the King. 3.55 About Britain. 5.20 Shang A Lang. 6.00 Day by Day. 10.30 A Future for Our Past. 11.40 Guideline. 11.45 Farm Progress.

TYNE TEES

12.35 p.m. Starting Point. 2.00 House Call. †2.30 Monday Matinee: "Paid in Full," starring Lizabeth Scott and Robert Cummings. 5.20 University Challenge. 6.00 *To-day at Six.* 6.40 *Police Call.* 10.30 Barnaby Jones. 11.25 Late News Extra. 11.35 Football to Faith—"Leeds United."

ULSTER

1.20 p.m. Ulster News Headlines. 2.30 Monday Matinee: "The Fast Lady," starring James Robertson Justice, Stanley Baxter and Julie Christie. 4.23 Ulster News Headlines. 5.20 University Challenge. 6.00 Summer Reports. 10.30 Monday Night with the Rev. D. M Hanna, Rector of St. Christopher's, Belfast. †10.40 Monday Movie: "Monkey On My Back," starring Cameron Mitchell.

WESTWARD

11.25 a.m. Yoga for Health. 11.50 Adventures in Rainbow Country. 12.15 p.m. Skippy. 12.33 Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.00 Short Story. †2.30 The Monday Matinee: "Never Let Me Go," starring Clark Gable. 5.20 University Challenge. 6.00 Westward Diary. 6.20 Sports Desk. 10.30 A Place in Europe. 11.20 Westward Late News. 11.03 The Summer of '73. 11.25 Faith for Life.

YORKSHIRE

1.20 p.m. Calendar News. †2.30 Monday Matinee: "Paid in Full," starring Lizabeth Scott and Robert Cummings. 5.20 University Challenge. 6.00 Calendar. 10.30 Emmerdale Farm. 11.25 World Snooker.

RADIO 1 — 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.00 Noel *Edmonds.* 9.00 *Tony Blackburn.* 11.00 Ed Stewart with The Radio 1 Roadshow. 12.30 p.m. Newsbeat. 12.45 Johnnie Walker. 2.02 David Hamilton (S) (also on VHF). 5.00 Newsbeat. 5.15 Bob Harris with Top Gear. 7.00-12.33 a.m. As Radio 2.

RADIO 2 — 1,500m and VHF

6.00 a.m. News Summary. 6.02 Simon Bates (S) including 6.15 Pause for Thought. 7.02 Terry Wogan (S) including 8.27 Racing Bulletin and 8.35 Pause for Thought. 9.02-11.30 Pete Murray's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.30 p.m. Sports Desk. 1.55 Good Listening (VHF). 2.02 David Hamilton (S) as Radio 1, but including on 1,500m only (also 202m Scotland) 2.45, 3.45, 4.45 Sports Desk. 5.02 Waggoners' Walk. 5.17 Sam Costa (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 [illegible]. 7.30 Sports Desk. 7.32 Alan Dell: The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 10.02 Sports Desk. 10.05 Tom Edwards with Music Through Midnight (S) and 12.00 News. 12.31 a.m. News Summary.

RADIO 3 — 464m, Stereo & VHF

‡ Medium Wave only

7.00 a.m. News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Haydn (S). 9.45 Fricker, Goehr, Tippett recital (S). 10.30 Henry Purcell: "Great Parent, Hail" An Ode upon the Ninth of January 1694 (S). 10.55 BBC Scottish Symphony Orchestra (S). 12.15 p.m. Nicanor Zabaleta recital, part 1 (S). 1.00 News. 1.05 Nicanor Zabaleta recital, part 2 (S). 1.50 BBC Symphony Orchestra (S). 3.20 Poets of Music. 3.35 Beethoven (S). 4.10 Liszt organ recital (S). 4.45 Willem Pijper and Ton De Leeuw concert (S). 5.35 Bandstand (S). ‡5.45 Homeward Bound. ‡6.05 News. ‡6.10 Homeward Bound (continued). ‡6.30 Study On 3. 7.30 Proms concert, part 1: Bach, Haydn (S). 8.15 [illegible] and Today in the Theatre. 8.35 Proms concert part 2: Franz Martin, Haydn (S). 9.35 [illegible] Singer. 10.00 Bach (S). 10.55 Jazz in Britain (S). 11.25 News.

Radio 3—VHF only—5.45-7.30 p.m. Open University.

RADIO 4 — 434m, 330m, 285m and VHF

6.20 a.m. News. 6.22 Farming Week. 6.40 Prayer for the Day. 6.45 Today. 6.50 and 7.50 VHF Regional News. 6.55 Weather, programme news. 7.00 News and more of Today. 7.27 Sportsdesk. 7.35 Today's Papers. 7.45-7.50 Thought for the Day. 7.55 Weather, programme news. 8.00 News and more of Today. 8.27 Sportsdesk and 8.35 Today's Papers. 8.45 James Cameron and the Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Any Questions? 11.50 Announcements. 12.00 News. 12.02 p.m. You and Yours. 12.27 Desert Island Discs. 12.55 Weather, programme news, VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour, including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre. 4.35 Story Time. 5.00 PM Reports. 5.50 Financial Report. VHF Regional News. 5.55 Weather, programme news. 6.00 News. 6.15 The Men from the Ministry. 6.45 The Archers. 7.00 News Desk. 7.30 Lord Peter Wimsey. 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.45 A Book at Bedtime. 11.00 The Financial World Tonight. 11.15 Today in Parliament. 11.30 News.

BBC Radio London — 206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.02 Downtown. 11.03 In Town. 12.03 p.m. Call In—1. 12.45 London News Desk. 1.00 Call In—2. 2.03 206 Showcase. 4.03 You Don't Have to be Jewish. 4.32 Home Run (London News Desk at 5.00). 6.10 *7.03 In Town.* 8.00 *Close Up.* 8.30 Breakthrough. 10.03 Robbie Vincent's Late Night London. 12.00 As Radio 2 until closedown.

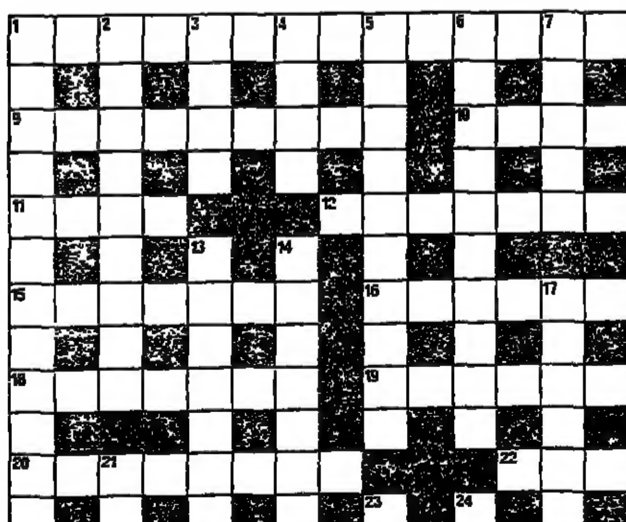
London Broadcasting — 261m and 97.3 VHF

6.00 a.m. "AM": *breakfast-time news* show, with interviews, traffic and travel service, plus sport. 10.00 Open Line—London talks to George Gale. 12.00 Newswatch. 6.00 p.m. Newsbreak. 7.30 Music in Stereo. 9.00 Love in London. 1.30-6.00 a.m. Nightwatch—news every half-hour.

Capital Radio — 194m and 95.8 VHF

6.30 a.m. The Breakfast Show. 9.00 Michael Aspel presents music, guests, competitions and "Swopshop." 12.00 *Cash on Delivery.* 3.00 p.m. Roger Scott. 7.00 London Today. 7.30 Open Line. 9.00 Your Mother Wouldn't Like It (rock show). 11.00 Tony Myatt has his late night show. 2.00 Night Flight.

F.T. CROSSWORD PUZZLE No. 2,840



ACROSS

1 Frank is a neat footballer (15)
9 Sponsor the idol Ministry of Transport put before her (9)
10 Doctor is soft at heart, taking forceless persons (5)
11 Expel us in the book (4)
12 Speculate that the mineral aggregate is inside (8)
15 Felt *affected with emotion* (7)
16 Trophy for people followed by copper and head of police (4-3)
18 Flower making Oriental doctor appear (7)
19 Favouring drug in unusually nice surroundings (7)
20 Not at home to crush a disturbance (8)
22 Part of the leg of an animal? (4)
25 Unfit to sleep in it (5)
26 Combine food bit by bit (9)
27 Consciously accepting one damaged net scrupulously (15)

DOWN

1 Indication of belt containing crab or it could be fishes (4, 2, 3, 6)
2 Interrupt again but rider's all wrong (9)
3 Smooth metal press (4)
4 A fence showing signs of laughter (2-2)
5 Promoting additional gin mixture (10)
6 Transmits printing matter by X-raying (10)
7 It's an excuse from a politician I added (5)
8 Sid turns up with reference and completely irreverently (15)
13 Like a divine ruler needing a variety of heroic tact (10)
14 A mother's fruit gets stuck in the throat (5, 5)
17 Country residents need pins which have silver inside (9)
21 Transport by coach? (5)
23 Warmth he gets at . . . (4)
24 . . . using her love for a loved one (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

هكذا من الأصل

New London

Kwa Zulu

by MICHAEL COVENEY

I am not over-anxious to investigate how a white showbiz management, well known in South Africa, comes to be presenting a tribal revue featuring black, disarmingly rhythmic artists, in a concrete morass owned by Bernard Delfont at the wrong end of Drury Lane. Having been trapped in their company for a couple of hours, however, I can only report that the entertainment on offer must qualify as probably the most compulsively enjoyable musical show in London. Forget *The Black Mikado*. Remember those jolly troupes brought to the World Theatre Season by Sir Peter Daubeny, showing their bosoms and shaking their plumes.

This is the ultimate, unsung and irrefutable upshot of all those years of trade among the natives. Bandannas and maracas, assegais and feathers. All for your delight and amusement. And how charmingly seductive it all is. The nub of the narrative derives loosely from a romantic centre. But, thanks to the wonders of modern technical achievement in the living theatre, the silhouetted forms and attenuated queues of jigging, jogging African villagers assume the form of an irresistible testament to the vitality and talent that lurks, untried and unreleased, within that distant, dark continent. How grateful we should be to Sir Bernard, and to Walter Jokel and Jimmy Jacobs, for allowing us to share a couple of hours in their merry company.

Sammy Davis Jr. once sang a song called "The Rhythm of Life," and that would serve as a sub-title to the show under review. Working, we smile. Frustrated in love, we smile. Achieving manhood, we sing a song, and smile. Mating, we smile. Summoning witch doctors, welcoming the rain, celebrating a wedding, preparing for battle . . . we smile, and dance, and sing. The drummers drum, the feathers shake, the bosoms wobble. The drumming is the best in earshot in London's popular theatre. The feathers are the most magnificent on view in London's popular theatre. The bosoms are (*pace* Paul Raymond) the wobbliest and most beautiful on the London stage.

The artists are fantastic, their dignity beyond question. A stunningly well sung chant for lost life almost moved me to tears. But the men were not at war for long. Life goes on and a wonderful little piccaninny chugged across the stage to prove that all will soon be well with the world. The company were recently a big hit in South Africa. Next at this address: Bruce Forsyth.

Covent Garden

Romeo and Juliet

by CLEMENT CRISP

In what does greatness in a ballerina reside? In a physical instrument that is, of itself, beautiful, and entirely obedient to the demands of a role; in the power to embody emotion, and communicate it fully; in musicality. All these, certainly, and then in something mysteriously more—hard to define, and easy to appreciate—in which the dancer is metamorphosed, and *becomes* the character she dances. All of these qualities are Lynn Seymour's, and in last Thursday's revival of *Romeo and Juliet* she proclaimed her greatness yet again, and in so doing transcended even her own exceptional past performances in the role.

Juliet lives in Seymour's interpretation, fully and utterly. The part is hers. Made for her inspired by her physique and temperament, it is shaped and impelled by her lyricism and her complete identification with the dance, and has been so since its creation. With maturity, and in this magnificent year in which she has returned to dancing with a technique burnished to virtuosity and all traces of past ill-health swept away, she seems more completely Juliet than ever before. On Thursday, with David Wall as her ardent Romeo, she gave the first act a youthful radiance and impetuosity that was marvellous to behold.

The awakening and parting with Romeo at the beginning of Act 3 found her body pouring out an unbroken cantilena of passion which stilled into a terrible isolation as the young girl suddenly realises her plight. Then the great run to Friar Laurence, a surge of energy that made all one has read (and seen in photoghaps) of Pavlova or Isadora seem gloriously real. There follows the terrible interview with her parents and Paris. Struggling in his embrace, she can escape to the window, and, captured again, she is held with one arm raised as if to fend him off.

As he moves away, she maintains the pose, then stands still—hand to mouth, lost in a dream—before the slight bow that tells of her acceptance of him. Dance-acting of this calibre is not to be seen every day, or every decade, and Seymour gives her performance such passionate intensity, and such lyric beauty of expression, that one can but be grateful for the privilege of seeing so phenomenal an artist in her prime.

To add further lustre to the evening, there was an opulent refurbishing of the design by Nicholas Georgiadis, and the presence of Yury Ahronovich as conductor. Georgiadis has taken the opportunity to open out the curve of his setting, and to recast certain decorative elements. The Capulet residence is now a fortified town house, and it looks very fine; many of the principal costumes have also been improved, with a particularly happy re-dressing of the harlots.

Mr. Ahronovich, hero of the recent *Boris* at the Opera House, and of a superb concert performance of Chaikovsky's *Manfred* symphony, is no less heroic with Prokofiev's score. He brings such rhythmic vivacity and vitality of orchestral texture to his task, that the music sounds fresher than it has since Yury Fayer first conducted it in London for the Bolshoy. Detail is refined—I have never before heard the mandolines at the end of the front-cloth dance before the ball—and the overall control of pulse, and of dramatic light and shade, gives the score a clear organic development. And because ballet dancers feed on music, rely upon it as upon the very air they breathe, the company performance was more alert and more responsive than for many years. A tremendous evening, with the Royal Ballet at its unbeatable best.

Yorkshire theatre group in Cornwall

The last few days of July sees a rare event both for Cornwall and for Yorkshire when 45 members of the Ilkley Playhouse Theatre take their entire production of Shakespeare's *The Winter's Tale* to the open-air Minack Theatre, high on the cliffs a few miles from Land's End.

Each summer the Minack Theatre at Porthcurno attracts thousands of visitors from home and overseas during the season of weekly production that runs from mid-June till early September. Carved out of the cliffs above Porthcurno Bay the theatre is one of the most beautiful open-air arenas in the world. The terraces provide seating for over 500.

The Ilkley Players are one of Yorkshire's most active theatre groups. At their Playhouse Theatre, sited between Ilkley Moor and the Yorkshire Dale country, entertainment is staged in most months throughout the year. David Wildman has designed the production and directs the cast of 24 in the play which runs from to-day, Monday until Friday August 1, nightly at 8.30 (matinees 3 p.m. Wednesday and Friday).

Visit of Belfast Cathedral Choir to Westminster Abbey

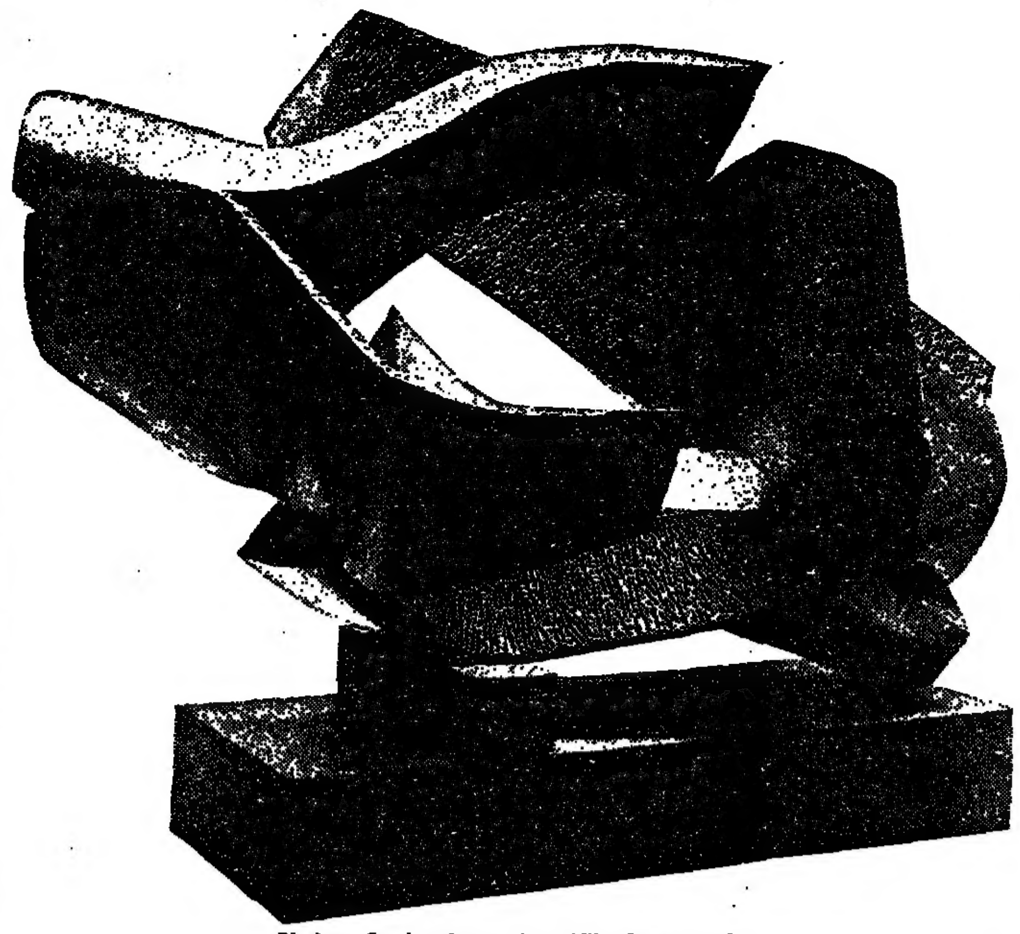
Many will recall the visit of the choir of Belfast Cathedral to London in August 1973, when they sang the daily services at St. Paul's Cathedral, and gave two recitals at Westminster Abbey. Next month sees the choir's second visit to London to sing the daily services at Westminster Abbey.

The choir will sing Evensong at Westminster Abbey from Tuesday to Saturday, August 5-9, and all services on Sunday, August 10. The choir has also been asked to give a lunch-time recital at the Abbey on Wednesday, August 6. In addition, the choir's recital at Westminster Cathedral on Thursday, August 7, will be the first ever given in London's main Roman Catholic church by a Protestant church choir from Northern Ireland.

'Music for Starters'

The 1975-76 season of the Brighton Philharmonic Society, details of which will be announced shortly, will show how help from commercial organisations can make possible new and exciting developments. On Saturday, October 25, at the Dome, Brighton, the BPS will be presenting *Music for Starters*. This concert for children (adults may be invited by a child) with the Brighton Philharmonic Orchestra under John Carewe, will, it is hoped be the first of a regular series aimed at the Society's audience of the future.

The tickets will be priced at 50p and it is hoped to fill the Dome with family groups and parties from schools.



Pierluca: Steel sculpture from 'The Aggressors'

Winchester Cathedral

Southern Cathedrals Festival

by RONALD CRICHTON

Bernstein's *Chichester Psalms* were introduced at a Southern Cathedrals Festival ten years ago, in the city which gave them their name. They were heard again in this year's final concert at Winchester on Saturday, with John Birch conducting the combined choirs (Salisbury is the third member of the trio) and the Bournemouth Sinfonietta. Bernstein puts the idiom of *West Side Story* at the service of the Church in cleverly-written music which oozes an oecumenical desire to please. Three movements, each one setting a whole psalm together with a fragment of another, using boys' and men's voices with a modern symphony orchestra minus woodwind, revelling in the succulence of treble tone, avoiding the abrasive or plaintive side so often stressed by Britten.

Candied religion, neatly packaged? Yet, but better than dullness, at least in small helpings. The expertise with which Bernstein doses his bland setting of "The Lord is my shepherd" with distant rumours of the heathen, raging furiously together, or just restrains himself from plugging the insidious lullaby phrase of "Adonai, Adonai" once too often, is still evident. The impression of over-sweetness was partly due to the acoustics blurring the lively dance section of the first psalm, which provides the needed contrast. Daniel Cairns was the treble soloist, as self-possessed as he was musical, phrasing beautifully.

The Entertainment Guide is on Page 4

Richard Seal (Salisbury) opened the concert with Purcell's *Music for the Funeral of Queen Mary*, whose solemn march remains no less impressive for the knowledge that it was originally written for Shadwell's play *The Libertine*. There followed three Purcell anthems including the superb "Hear my prayer," alas the *only* completed part of a projected longer work. Martin Neary (Winchester) ended the programme with a good performance of Bach's Magnificat. The outer sections were as blurred in the cathedral as the Bernstein dance, but most of the music in between struck with unusual force because Mr. Neary's tempi found the character of each successive section as well as the conciseness which is often the main impression one carries away from concert performances of the Magnificat. Excellent chamber organ continuo from James Lancelot. The soloists were six trebles (very good) and three lay clerks from the Winchester Choir. More satisfying, in sum, than many concert-hall readings by grander people.

The evening concert rounded off an almost perfect summer's day, with a stately procession of white clouds in a radiant blue sky to give life and shadow to the warm, grey, biscuity cathedral stone. There were gardens to visit, matchless water-meadows to wander in, hot marquees. Above all, the experience of the cathedral as a hub of activity, with hundreds listening to the afternoon rehearsal. Attendances at the Festival have apparently been excellent enough to make ends meet in a scheme, be it noted, run without official subsidy except for support from the Southern Arts Association for the initial concert with the big Tavener work.

Not for the first time one must emphasise that these joint festivals have a value over and beyond the special concerts, however good they may be—the rare opportunity of hearing the liturgy sung by the combined choirs, producing a body of tone big enough even for the immense nave at Winchester. That many people realise this was suggested by a packed cathedral for Saturday's Evensong. The large majority had found places well before starting-time. Some of the late-comers were clearly visitors, a little taken aback by what they saw and heard, especially the valiant, not unsuccessful effort of the congregation to join in the hymn—incidentally, if some inexpensive form of reproduction could be devised, a hymn sheet would be helpful. The Gibbons tune for "Love of the Father" is splendid, but not easy for those unfamiliar with it.

The choral part of Evensong was mainly concerned with centenaries, 450 years from the birth of Palestrina, 350 from the death of Gibbons. They received noble performances of the former's Magnificat *primi toni* and, the latter's "Clap your hands." I own to shameful inability to respond to the marmoreal serenity of Palestrina, beside which the least utterance of Byrd, Gibbons or Purcell sounds personal and vivid. But no amount of obtuseness could deafen one to the majesty of the choirs' tone in the Magnificat, to the seamless blend (minor reservations for the tenors), or to the precision of chording which made it hard to remember that normally these choirs live and work in three separate cities. In their green, scarlet and claret-coloured cassocks, with the Bishops bright as birds of paradise, the eye was as well pleased as the ear.

Arts news in brief

The story of the Second World War from Dunkirk to Normandy told in the longest embroidery in the world—272 feet of it—has been put on show in the Guildhall, London. The 33 panels are on view to the public for the first time until August 25.

Lord Dulverton, who financed the tapestry, said at the Press view that the exhibition was to give Londoners a chance to decide whether they wanted it in the capital city. "It is a little bit sad, but America and Canada seem a little more interested in having it than we are," he said. Both had asked to have it permanently.

★

The Guildhall School of Music and Drama has appointed its youngest-ever musical director, 26-year old Leslie East who suceeds Dr. Malcolm Troup. Mr. East was previously with the City University where two years ago he became music organiser and visiting lecturer in music in the general studies department.

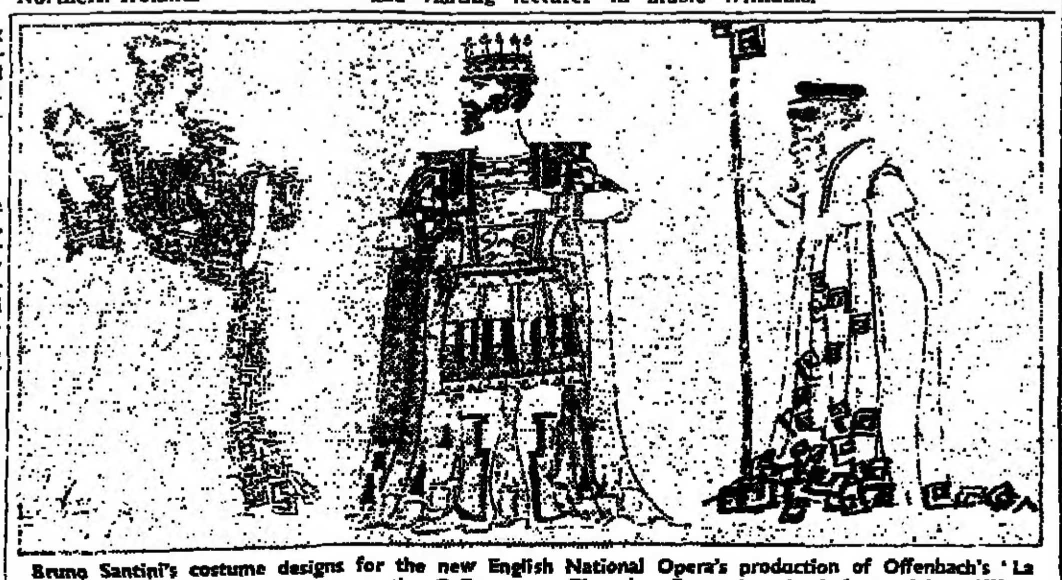
Dr. Troup goes from the Guildhall School to the City University as its first senior lecturer in charge of the new music course.

★

The Royal Shakespeare Company are to stage the world premiere of *Jingo*, a new comedy by Charles Wood, at the Aldwych Theatre on August 19. *Jingo* is Charles Wood's first stage play since his award-winning *Veterans* at the Royal Court in 1972.

Like many of Charles Wood's plays, this deals with military life. It is set in Singapore during World War 2 and concerns the personal relationships of two British officers and the woman in their life, amid the confusion of Pearl Harbour and the Japanese invasion of Malaya.

The cast includes Anna Massey, in her first role with the RSC; Peter Jeffrey; Bernard Lee; John Standing; and Michael Williams.



Bruno Santini's costume designs for the new English National Opera's production of Offenbach's 'La Belle Helene' which will open at the Coliseum on Thursday, September 4. Left to right: Hélène, Agamemnon and Paris (disguised).

Paris exhibitions

Pierluca at the Musée Rodin

by MICHAEL PEPPIATT

I first saw the work of the Florentine sculptor Pierluca in 1968, at the Galerie Darthea Speyer. The exhibition, which set out to show the artist's most recent development — three monumental pieces in steel—had been abruptly transformed into a posthumous tribute by Pierluca's accidental death that summer, at the age of 42.

The sculptures had an altogether unusual power: uncompromisingly modern as their sharp, shining planes were, they opened on a cry of torment and revolt that seemed to have come down entire from the tragic world of the Greeks.

Pierluca spent the last eight—and by far the most productive—years of his life in France (at Bois d'Arcy, near Versailles). The sculptures and drawings he did during that time have now been brought together at the Musée Rodin, where they will be on show until September 15. Though the space allotted to them is quite inadequate for proper viewing (one wonders why more use of the museum's magnificent gardens was not made to show the monumental sculptures, which Pierluca intended to be seen outside), this retrospective gives ample proof that Pierluca, although still not widely recognised, is one of the most gifted sculptors to have emerged since the war.

The works divide into three consecutive series: *Lacerations*, *The Collective Crime*, and, in the last two years of his life, *The Aggressors*. The titles alone give an idea of the harsh content of Pierluca's art. His sculptures are intensely alive, but with a life of a wound which devours. Their exquisite craftsmanship and the very sober, Florentine harmony of their forms only perfect a fundamental subversiveness. "The intention is," Pierluca says of his poems, "to destroy everything in order to begin again."

The *Lacerations* (in steel, aluminium, bronze and copper) begin as passive wounds: layers of welded metal brutally ripped apart. They create the impression that one is seeing the real —vulnerable—flesh of metal for the first time.

Gradually, however, they develop a system of self-protection. Their wounds become hooked like crab claws, or lie open in wait like the jaws of a crocodile. The works in *The Collective Crime* ("Every day," says the sculptor, "we participate passively in great crimes against humanity") barely allow one to see inside. They are maws closing round another victim; the smooth outsides belie their crushing power.

From self-defence, the long-suffering metals of Pierluca's sculpture spring to the attack in *The Aggressors*. They remind one rather of the pincer fortifications Michelangelo designed for Florence, except that their cutting claws reach out in every direction and look as though they might at any moment snap to like a carnivorous plant. They are traps, the enemy of anything that comes their way.

The powerful assault these works make is maintained only by the most vigilant discipline. Pierluca's sculptures never lapse into repetition or expressionistic exaggerations. They remain as precise as a loaded weapon.

Behind — or rather, within — their extreme tension lies the sculptor's acute consciousness of human suffering. In another of his poems, he says, "I should like my works near men/who suffer from humanity/near those/who feel existence/a wound to be probed. . . ." As one looks at his sculptures, the echoes they give out from the past grow more distinct. In Pierluca's disciplined humanism, the great Florentine tradition is reborn.

Moscow theatre

The Ascent of Mount Fuji

Even a previous knowledge of the play had not prepared me for the powerful effect of the American production of *The Ascent of Mount Fuji*. This drama by Chingiz Aitmatov and Kaltai Mukhamedzhanov, translated from the Russian by Nicholas Bethell, is the first Soviet play to be licensed for performance in the English-speaking world since the Russians became a party to the international copyright agreements in 1973. This is a surprising destiny for a play that recalls and attacks the sins of the Stalin period.

The Ascent of Mount Fuji has now been stunningly acted by the Arena Stage of Washington, D.C., a theatre which has, in a variety of ways, shown considerable interest in the Soviet Union. Two years ago, this theatre took *Our Town* and *Inherit the Wind* to Moscow and thereby became the first permanent American company to perform in Russia. Back in Washington a year later, the Arena presented Elie Wiesel's *Zalmen, or the Madness of God*, a play criticising the Soviet treatment of Jews. Rumours persist that news of this production almost persuaded Soviet officials to withhold permission for *Fuji*. Then, just as rehearsals were finally beginning, a minor injury sidelined the director, Alan Schneider (who had directed *Zalmen*), and he was replaced by Zelda Fichandler, who is artistic director of the Arena Stage.

In this play, four old friends who fought together in the war, the wives of three of them, and their old teacher hold a reunion on a mountain in their native Kirghizia, a peak which traditionally requires people to tell the truth. A few early exchanges establish the main characters—the self-satisfied agronomist of the local collective farm, who is the host; an opportunistic journalist; his wife, a high-minded actress who wanted to play Mary Stuart and wanted her husband to be a great poet; a conscientious teacher of history; and a prematurely fossilised pedant. Persistently, they return to the subject of their missing friend, a poet of enormous promise who wrote a pacifist poem during the war and was betrayed by one of them. He was arrested, convicted, exiled, and only afterwards amnestied. His life is ruined: he wrote no more. If only one friend betrayed him, the others were, by their silence, accomplices in that betrayal. Unexpectedly, on the mountain top, the friends are confronted with another crisis, and, this time, some of them face it more courageously.

Obviously, the authors are glancing at the secret denunciations of the Stalin era and at the guilty silence of those who did not protest. This political element has surely added to the play's interest for American audiences, but there is another basis for its appeal: it is a warm and spirited portrait of interesting, credible people who suffer only slightly from that besetting ailment of Soviet dramaturgy, excessive aspiration.

These old comrades, with their assorted virtues and blemishes, make a striking contrast with the characters of *That Championship Season*, a roughly contemporary American play with approximately the same initial premise: four old school friends, reunited with an old teacher of theirs, recall a fifth companion who is missing. In the American play, the characters have only blemishes, except for one drunk who would probably be as bad as the rest if he were sober.

Where the Russian set (at the Sovremennik) was abstract and the Moscow cast did not strive especially to be Kirghiz, the Arena Stage's mountain-top is realistic and the actors work effectively at Kirghiz mannerisms. In the uniformly excellent cast, I must single out the desperate intensity of Max Wright as the history teacher and the Olympian calm of Vivian Nathan as the older woman who taught all of them. Both Washington and Moscow should be proud of *Fuji*.

HENRY POPKIN

HOME NEWS

Tory MPs react angrily on 'back Prentice' call

BY JOHN BOURNE, LOBBY EDITOR

TORY MPs have reacted angrily to the statement of senior officers of the Newham North-East Conservative Association that they would urge the association not to oppose Mr. Reg Prentice, the Minister for Overseas Development, if he fought the next General Election as an independent.

Last week the Left-wing dominated general management commitee in his constituency voted 29-19 to replace him.

Mr. Michael Brotherton, member for Louth, has written to Lord Thorneycroft, chairman of the Conservative Party, urging him to state as a matter of policy that the Tories would contest every seat at the next Election.

Mr. Brotherton said yesterday: "I find it astonishing that any right-minded Conservative should consider opting out of the fight against Socialism because of differences of opinion in the Labour Party.

"I am very disturbed that the idea that the Conservatives should even consider not fighting a man such as Mr. Prentice just because he is a so-called moderate."

Mr. Prentice had spent virtually all his efforts when Secretary for Education on the decimation of the direct grant schools. He had also voted for measures such as the Industry Bill, the Community Land Bill and the Housing Finance (No. 2) Bill.

Another Conservative MP, Mr. George Gardiner (Reigate) said: "Whatever may be said now there can be no question of denying Newham North East voters the chance to vote for a Tory candidate and a Tory Government in the next election.

"This is a bigger issue than the future of Reg Prentice. It's up to the Labour Party, not us, to put its house in order. There will be a Tory candidate in Newham North East in the next election."

Intolerance

The local Conservative officials said: "We applaud and admire Mr. Prentice's stand. The attitudes underlying the doctrinaire intolerance, symptomised by the anti-Prentice campaign, would appear to constitute a threat to the concept of an MP as a representative rather than a mandated delegate.

"If these attitudes are allowed to develop unchecked they will stand to undermine the constitutional integrity of British political life."

Meanwhile, two Cabinet Ministers and a leading trade unionist have offered to speak up for Mr. Prentice when he launches his campaign to be re-adopted as Labour candidate.

Mr. Roy Jenkins, Home Secretary, Mrs. Shirley Williams, Prices Secretary, and Mr. Tom Jackson, the Post Office workers' leader, will support Mr. Prentice at a public meeting in East Ham Town Hall on September 11.

Mr. Prentice said: "I shall take the opportunity to explain to my constituents my plans for carrying on as their MP. I shall invite their co-operation in a campaign to make the local Labour Party more representative of the people of Newham."

He has made it clear he will canvass support from moderates in the hope that once again they will dominate his constituency party.

U.K. employment policy 'undated'

FINANCIAL TIMES REPORTER

THE POST-WAR approach to full employment policy is outdated, and the U.K. needs to look at the subject in a new way if it is not to become trapped in a spiral of accelerating inflation, says a pamphlet by Samuel Brittan of the Financial Times, publisher to-day.

Emphasising that he still attaches more value* to avoiding the wastes of large scale unemployment than to price stability," Mr. Brittan criticises policy-makers for aiming at unrealistically high levels of employment and boosting monetary demand in a way which only alleviates the employment situation temporarily, but which moves the economy to higher and higher rates of inflation.

"There is a confusion between inflation and the rate of change of inflation. There is in fact no choice between a high rate of inflation with a low rate of unemployment, and the opposite state of affairs."

Mr. Brittan analyses in some detail the difference between the seriousness of the unemployment situation as indicated by figures "in the headlines" and as shown after account is taken of normal transitional unemployment, the proportion of "unemployables," those over 60, and so on.

Taking July last year as an example, a headline figure of "581,000 unemployed" became only 191,000 when redefined as "total long-term unemployed among active population."

"If we wish to take lasting measures to improve the unemployment situation we must re-examine the forces impeding the successful operation of the labour market."

Among the factors requiring attention were "inadequate training, obstacles to mobility, insufficient information on job opportunities and the location of potential workers, and trade union and other rigidities which prevent relative wages responding to changes in supply and demand.

There was "no magic formula for reducing union monopoly or changing union attitudes" but "we can start by avoiding unnecessary policies which increase the obstructive powers of unions—and therefore the unemployment cost of any given anti-inflation goal."

Among policies needing to be changed were "the well-known fact that the U.K. is one of the few countries to subsidise strikes by social security payments to strikers' families."

Mr. Brittan also complains of the present bias in the system whereby the longer term unemployed actually receive less financial help from the Government than the shorter term unemployed.

* *Second Thoughts on Full Employment Policy, Samuel Brittan. Centre for Policy Studies, £2. Barry Rose (Publishers), Little London, Chichester, Sussex.*

FT GROCERY PRICES

Cheaper potatoes help year's first fall in grocery index

BY ELINOR GOODMAN

SEASONAL FACTORS have finally brought at least a temporary halt to the spiralling cost of groceries. The Financial Times Grocery Prices Index fell by 4.57 points in July—its first fall this year.

Just as an exaggeration of normal seasonal influences led to an even bigger rise in the index this year than is usual in early summer, so it has now shown a bigger fall than in previous years.

Last year, for example, the index rose by 2.8 points between May and June to fall by 1.75 in July; this year's July fall has to be seen against a rise of over 10 points between May and June.

In spite of the drop, the index now stands at 188.45—29 per cent. above last July's level. In June the rise over the 12 months had been 30 per cent.

The July fall was almost entirely due to seasonal factors. Though some processed food prices also showed reductions, higher prices on other manufacturered foods meant that these price cuts in themselves would not have resulted in a drop in the index.

The biggest fall was, predictably, in the fruit and vegetable category where potatoes—one of the biggest single items in the index—were at last showing big price reductions. On average the shoppers had to pay around 8p a pound for new potatoes this month against 12p in June.

Carrots and onions were also much cheaper than in June, with carrots selling for between 3p and 10p less a pound than last month and tomatoes down by around 7p at about 17p a pound.

Other salad vegetables were also showing price cuts, with lettuces at least 2p down at about 10p each. In London, at least, the quality of some of these cheaper lettuces left a lot to be desired, with hearts seemingly replaced by an abundance of outer leaves.

Meat down

The meat bill also showed a small fall as a result of lower sirloin prices in almost all the shops covered. Pork chops were generally down, cancelling out the increases seen in June.

The other two sectors to show small drops this month were the dairy and sugar categories. The fall of 38p in the dairy category was mainly due to price cuts of around 2p a pound on margarine. Though wholesale prices of eggs have increased again from the very low levels they reached last month, these increases did not appear to have percolated through to the shops when the FT research was done on Tuesday.

Similarly, the higher price of tea, announced by the manufacturers last week, had not taken its full toll on retail prices when this month's shopping was done.

Indeed, several of the shops covered were cutting the price of tea last week and this together with special offers on instant coffee in some shops accounted for the 35p drop in the total bill for beverages.

Balancing these reductions was a big rise in the non-food bill, together with further substantial rises in canned food, flour-based products and dry groceries. The increase in non-foods was largely attributable to rises on soap powders while the increases in the canned sector were spread right across the board, with packet soups and tinned pineapple showing the most consistent increases.

The rise in the flour category reverses the downward movement seen last month and was largely due to higher prices on some breakfast cereals.

In the dry grocery sector, instant potatoes were the main culprit. Prices were up about 1½p a packet and several shops said they were finding it difficult to get adequate supplies to cope with the demand created by consumers switching from expensive fresh potatoes into the dry variety.

FINANCIAL TIMES SHOPPING BASKET

	July £ p	June £ p
DAIRY PRODUCE	85.13	85.51
SUGAR, TEA, COFFEE & SOFT DRINKS	47.90	48.15
BREAD, FLOUR, CEREALS, ETC.	64.17	63.51
PRESERVES & DRY GROCERIES	20.80	20.28
SAUCES & PICKLES	10.81	10.53
CANNED FOODS	36.21	35.01
FROZEN FOODS	28.51	28.37
MEAT, BACON, ETC. (FRESH)	131.71	132.51
FRUIT & VEGETABLES	88.50	104.63
NON-FOODS	43.22	41.92
TOTAL	556.96	570.47

INDEX

1971: Feb. 100; Mar. 101.09; April 102.73; May 105.75; June 108.00; July 107.24; Aug. 105.40; Sept. 105.26; Oct. 104.35; Nov. 105.48; Dec. 108.26.

1972: Jan. 109.18; Feb. 109.10; Mar. 109.24; April 108.04; May 109.36; June 115.97; July 111.97; Aug. 113.40; Sept. 112.14; Oct. 113.15; Nov. 11: 114.48; Nov. 18: 114.49; Nov. 25: 114.72; Dec. 2: 114.72; Dec. 9: 114.75; Dec. 16: 115.77.

1973: Jan. 117.56; Feb. 119.25; Mar. 120.53; April 123.80; May 125.57; June 128.81; July 127.64; Aug. 126.59; Sept. 129.39; Oct. 138.83; Nov. 135.83; Dec. 138.26.

1974: Jan. 141.41; Feb. 141.52; Mar. 142.66; April 8, 143.23; April 29, 142.64; May 145.17; June 147.97; July 146.22; Aug. 145.25; Sept. 147.6; Oct. 150.5; Nov. 156.39; Dec. 159.15.

1975: Jan. 162.84; Feb. 167.77; Mar. 173.50; April 178.39; May 183.41; June 193.02; July 188.45.

The index is based on the prices paid by 11 shoppers around the country. The shopping, which was done in supermarkets and independent grocers, was carried out last Tuesday.

Labour MP denounces Tribune 'whip'

BY JOHN BOURNE, LOBBY EDITOR

THE ORGANISERS of the Tribune revolt in the marathon Commons debate last week on the Government's anti-inflation Bill acted like "authoritarian Communists," Mr. Paul Rose, MP, said yesterday in a message to his Blackley constituency party.

He said that he was a former member of the Tribune Group—a claim disputed last night by one of the group's leaders—adding that there had been "widespread disgust" among many members of the group at the tactics of the organisers of the Tribune "whip" in the Thursday-Friday debate.

The "whip" was a printed sheet of instructions on how to vote on key clauses.

Mr. Rose said that a small group of authoritarian populists acting like the Portuguese Communist Party had joined forces with the Powellite Right in opposition to Labour's crisis measures.

"They were disowned by the majority of the Tribune Group and I believe there has emerged for the first time in nine years the possibility of reconstituting the Libertarian Left in which Mr. Michael Foot and Nye Bevan played such a notable part.

"The way in which some of Mr. Foot's former colleagues were poised like vultures to tear his body to pieces was a nauseating spectacle.

"It is high time the ordinary party workers knew that some of their conference idols not only have feet of clay but have more in common with those who raided Czechoslovakia and butchered the Hungarians than they have with Keir Hardy, Nye Bevan and the traditions of the Left of the party to which I am still proud to belong."

A leading member of the Tribune Group said: "I cannot remember Mr. Rose ever attending a meeting of the group or being a member, but I do recall that his party once asked him to join us and that he said that he would do so.

"The Tribune whip was supported in its conception by all the group members attending the meeting, but there were a lot of absentees.

"Unofficial 'whips' have been issued in the past by other groups—such as the one to London MPs on GLC legislation and also by a group in the debates on the Common Market legislation."

Speaker may raise matter of 'two-vote' division

LABOUR MPs expect that last week's exercise by several of their whips to persuade them to cast two votes in the same Commons division will be raised with the Speaker, Mr. Selwyn Lloyd, so that the matter can be referred to the Select Committee on Procedure, writes *John Bourne*.

There may also be complaints to Mr. Bob Mellish, the Government's chief whip, and to the Labour Party's Liaison Committee. The purpose of the whips' tactic was to try to obtain Parliamentary permission for Hansard officials to be witnesses at the Crossman Diaries trial.

A petition from the Attorney General needed approval by the Commons before Hansard officials could go to court the following morning and prove copies of Hansard, which the Attorney General wants for his case against the Sunday Times and Mr. Crossman's literary executors that the diaries should not be published yet.

The whips' strategem failed, partly because of lack of support from most of the MPs they approached. The MPs were asked to vote twice—both for and against the motion—so that the necessary quorum of 40 members should appear on the division list.

The quorum is needed for any motion to be passed.

In the event, there was no quorum and the motion fell. Only three Labour MPs voted twice—Mr. Donald Coleman, a senior Government whip, Mr. John Ellis, an assistant whip, and Mr. Stanley Cohen, MP for Leeds South-East.

They are alleged to have been asked to vote in this way by Mr. Walter Harrison, Labour's deputy chief whip, who yesterday refused to comment on the affair.

Mr. Cohen said: "It was clear that at that time in the morning it was going to be difficult to get a quorum."

N. Atlantic air traffic up slightly

By Michael Donne
Aerospace Correspondent

NORTH ATLANTIC air traffic improved a little in May, but for the first five months of the year as a whole was still 5.8 per cent. down on the same period of last year.

Figures issued by the International Air Transport Association show that in the first five months the scheduled airlines on the route carried 2.88m. passengers on 22,811 flights, or 5.3 per cent. fewer than a year earlier.

The number of seats offered fell by nearly 5 per cent. to just over 5.5m., so that there were still effectively two seats available for every passenger flown—the load factor of 52.4 per cent. being slightly worse than a year ago.

The number of charter passengers carried by the member airlines of the IATA also fell sharply by nearly 20 per cent. to 281,436 during the five months, with the number of flights down by 18.9 per cent., at 1,626.

Airlines are cautious about drawing any conclusions from the five months figures. Some report an improvement in traffic in June, because of the summer holiday season, but no one is yet ready to suggest that the improvement will last.

Proposed State oil group 'unnecessary and unfair'

FINANCIAL TIMES REPORTER

THE CBI has denounced the Government's plans to set up a British National Oil Corporation as "unnecessary" in a letter sent to Energy Secretary Mr. Anthony Wedgwood Benn.

The Petroleum and Submarine Pipelines Bill, under which the BNOC would be established, gives powers to Mr. Wedgwood Benn that would be "extremely wide, ill-defined and completely open-ended," says the employers' organisation.

If the Government was determined to set up the corporation, the Bill should be amended to ensure it meets "the same obligations and commercial criteria as private enterprise."

The CBI concedes that the Government must have powers to control the rate of depletion of offshore oil resources, but says that compensation should be paid to offset reductions in the return on capital. It would otherwise be "grossly unfair" on companies which had invested large sums.

Any change in existing agreements should be negotiated between the Government and licensees, the CBI recommends, in contrast to the Bill which allows the Government to terminate or alter agreements.

"Retroactive legislation is abhorrent and repugnant. It is in the interests of Government, industry and the public at large to provide the right climate for continued and increased activity in developing off-shore oil resources."

Mortgage arrears triple

By Joe Rennison

FIGURES FOR last year published to-day show that the money outstanding on mortgage arrears rose almost by three times the amount in 1973. The figures in the Report of the Chief Registrar of Friendly Societies for 1974 show that there was more than £15m. outstanding at the end of last year compared with £5½m. at the end of 1973.

The situation reflects the very large volume of lending in 1973 and the fact that during that year mortgage lending rate rose from 8½ to 11 per cent.

The figure, however, is minimal compared with the total commitments of the building society movement.

FRANCIS WHITMORE

A memorial service for Mr. Francis Whitmore, former City Editor of the Daily Telegraph, is to be held at St. Bride's Church, Fleet Street, to-morrow at 12.30 p.m.

APPOINTMENTS

Esso Europe vice-president

Mr. R. G. Reid has been elected a director and an executive vice-president of ESSO EUROPE INC. Mr. Reid was previously president and a director of Imperial Oil, Esso's Canadian affiliate.

★

Mr. John Wardle has been appointed chairman of METALRAX (HOLDINGS), following the death of Mr. Clifford Coombs. Mr. Wardle has been deputy chairman of the Metalrax group since its inception in 1964.

★

Mr. Jack Rigby, managing director of Kangol Helmets, has been appointed to the main Board of KANGOL, the controlling U.K. company for American Safety Equipment Corporation of America.

★

Mr. C. D. S. Williams has joined SARABEX, London, part of the Saradar Arab Finance Corporation (Beirut), and has been appointed to the Board.

★

Mr. William Stothart has been appointed a director of OWEN OWEN.

★

Mr. John Morgan, marketing manager of COCK RUSSELL VINTNERS, has been appointed a director from August 1, with responsibility for marketing.

★

Mr. George Beddoe, editor of the Evening Courier, Halifax, and a director of the Halifax Courier, has been appointed a director of the BRIGHOUSE ECHO.

★

Mr. R. A. Jowit has been appointed chief executive of Berger Paints Ireland, succeeding Mr. W. M. Collins, who has been appointed chief executive of Cuprinol, another member of the BERGER GROUP. Mr. Jowit was previously with Berger Paints as manufacturing director for the U.K., and has been succeeded by Mr. A. J. Adams, previously industrial engineering manager and now appointed manufacturing executive.

★

Mr. Orlando Oldham has been appointed a non-executive director of the HARGREAVES GROUP. From 1965-1972 Mr. Oldham was chairman and managing director of Oldham and Son, and is now a director of Chemring.

★

Mr. Bernard Tennant has been appointed secretary to the NATIONAL CHAMBER OF TRADE from September 1. Mr. Tennant, presently with a firm of chartered surveyors, was previously secretary to the Bolton Chamber of Trade.

★

Mr. Alan R. Porter, previously chief accountant and establishment officer, has been appointed director of finance of the NATIONAL WATER COUNCIL.

★

Mr. E. J. Ellis has been appointed to the Board of REDIFFUSION (EAST MIDLANDS). Mr. Ellis is currently general manager, and will retain that position.

★

Mr. Frank Herford-Smith, who for the last two years has been managing director of SCHWARZKOPF U.K. and managing director of Schwarzkopf Australia is returning to Australia to resume full-time duties while remaining a director of the U.K. company. He will be succeeded by Mr. Peter Welch, previously with Reckitt and Colman as regional director of its Latin-American division based in Venezuela. Mr. Welch will also be marketing director.

★

Mr. T. N. C. Garfit has been appointed director of the OIL AND CHEMICAL PLANT CONSTRUCTORS' ASSOCIATION. He has been secretary to the Association since its formation in 1969, and was secretary to the previous advisory body.

★

As foreshadowed in the accounts Mr. M. D. P. Henderson and Mr. J. V. Woollam have resigned from the Board of PEACOCK SASINI ESTATES.

★

Lord Arwyn, Mr. R. B. Ogden and Sir John Lister-Kaye have retired from the Board of the BATH AND PORTLAND GROUP.

★

Mr. H. R. Sykes has been appointed to the Board.

★

Mr. John Morris, managing director of TRUVOX FLOORCRAFT of Southampton, has been elected chairman of the Industrial Cleaning Machines Section of the ASSOCIATION OF MANUFACTURERS ALLIED TO THE ELECTRICAL INDUSTRY (AMA), federated in BEAMA. He has been vice-chairman for the past year.

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OVERSEAS NEWS

Sinai deal looks distant to Israel

BY L. DANIEL

TEL AVIV, July 27.

THE Middle East situation appears to have taken a sudden turn for the worst. The chances of a second interim agreement being reached between Israel and Egypt look very far off from here, if they exist at all, because the two sides positions are still irreconcilable.

Israel, a week ago, submitted to Egypt what were described in Jerusalem as Israel's final proposals in the present circumstances. These concessions—withdrawal from the Abu Rudeis oilfields, the creation of an Egyptian corridor to them and the handing over of all but a mile of the strategic Sinai passes to Egypt were regarded by many people here as foolhardy. The passes constitute one of Israel's few trump cards in her bid for an eventual peace agreement and Egypt is, at present, offering nothing more than an understanding that the UN forces could stay in Sinai for around three years. Nevertheless, the Rabin Government decided to take the risk of giving way in the hope that time would do its own work and that more propitious conditions might obtain in three year's time which would permit President Sadat to conclude an agreement of a more political and more permanent nature

This expectation seems to have been misinterpreted in Cairo as simply a bargaining stance calling for tougher Egyptian terms. These came in the form of Mr. Sadat's refusal to automatically renew the UN mandate.

Cairo finally agreed to the extension of the mandate by three months but the lesson has been learned here. A senior military source pointed out to-day that had the mandate not been extended and had UNEF commander Silasvuo withdrawn his troops to base camps, a vacuum would have been created drawing in troops from both sides, with war resulting within a matter of hours.

Egypt accompanied the UN manoeuvre with the mobilisation of its land, air and naval forces, so the lesson was driven home even more forcefully.

The latest Egyptian proposals, reflect the same degree of toughness. These ask for a much bigger slice of the coasts down to Abu Rudeis, more of the passes and a minimal American presence at the early warning installation.

Reuter reports from Jerusalem: Suspension of Israel from the UN will precipitate the destruction of the world organisation, a Government official said to-night, commenting on a draft resolution agreed by the OAU calling for Israel's suspension from the UN.

Kampala schedule days behind

By John Worrall

KAMPALA, July 27.

THREE apparently intractable issues concerned with Angola, the Middle East and Tanzania's sensational censure of the OAU for holding its summit in Kampala have caused the Council of Foreign Ministers to overrun its timetable by nearly two days.

An all-night session on Saturday failed to bring agreement and the Foreign Ministers were due to work into the small hours of tomorrow. Resolutions have to be submitted to the African leaders summit which begins tomorrow. Zaire has accused Portugal of backing the Russian supported MPLA, led by Dr. Aghostinho Neto to the exclusion of the Zaire-based FNLA led by Mr. Holden Roberto making civil war inevitable.

The proposed Afro-Arab declaration of co-operation is regarded by the Africans as somewhat niggardly on the Arab side. Many think the aid proposed by Arab States is not specific or generous enough, specially on the financial side. The African line is that if the Arabs want their further help against Israel they must be more forthcoming. Nigeria's outright gift announced at the conference, of $80m. to the African Development Bank to aid African countries to buy oil, is compared to Arab stinginess.

For two days the Foreign Ministers have been debating whether to reply, and how to do it, to the Tanzanian attack on Amin as a "black fascist."

Crucial test for OAU and future of Africa

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

THE 12th summit of the Organisation of African Unity which opens in Kampala this morning faces two major and apparently intractable issues—Angola and the future of detente in Southern Africa. Both challenge independent Africa's unity where the controversy surrounding the chairmanship of the meeting by President Amin of Uganda has already, by causing the absence of at least four of the Continent's key leaders, shown its disruptive potential.

Angola, with the civil war entering a new and more dangerous phase, is likely to head the crowded agenda. At last week's preparatory meeting of foreign ministers, leaders of the Portuguese colony's warring nationalist groups were invited to the Ugandan capital. But the news over the week-end that the army of one of these groups, the Western-oriented Zaire-based National Front for the Liberation of Angola (FNLA) was marching against the Angolan capital Luanda, from which it has been ousted in the past months by the rival semi-Marxist movement for the Popular Liberation of Angola (MPLA) makes the likelihood of OAU mediation in the conflict extremely remote at this juncture.

The absence of the Presidents of Tanzania, Zambia, Mozambique and Botswana—the key figures in the Southern African detente exercise—also renders agreement on that major issue improbable. While prospects for a negotiated settlement in Rhodesia, the key to detente, seem as far away as ever, President Nyerere's latest offer to continue the process of mediation between Rhodesian whites and blacks is unlikely to be endorsed.

On the broad issues, however, much will depend on precisely which leaders among the rest of the OAU's 46 member States are actually present for this week's deliberation. Both General Gowon of Nigeria and President Kenyatta of Kenya are expected in Kampala and both men could have a moderating influence.

But the Heads of State are also faced with the hardest line resolutions on the Arab-Israeli conflict yet submitted to an OAU summit. It calls not only for full OAU support for the Arab cause, but for economic sanctions against Israel and its expulsion from the U.N. Resolutions to this effect were finally drafted last night.

S. African police action plea

By Tony Hawkins

SALISBURY, July 27.

RHODESIA'S Minister of Defence, Mr. Pieter Van Der Byl, has appealed for a return to the front line of anti-guerilla warfare of the South African police (SAP).

In an interview with a South African newspaper to-day, Mr. Van Der Byl said: "I want to see the men who played such a magnificent part in our security role back in business."

He said that the police, who have not been taking part in anti-guerilla operations since early this year, would bolster Rhodesia's military build up now under way and would reverse the situation in which black militants had been encouraged to become more "arrogant" because the SAP were confined to their camps.

In recent weeks, Rhodesian Government spokesmen have made it clear that they are preparing for an escalation of the war which has been threatened by black nationalist leaders, including Bishop Muzorewa who last week gave Mr. Smith three months to attend a constitutional conference outside Rhodesia or face up to "all out war."

Political observers here see Mr. Van Der Byl's remarks as a major problem for the South African Government, still apparently committed to the fast-flagging detente exercise. The South African Government will have to decide whether or not to participate in the planned Rhodesian security drive.

FNLA takes towns north, east of Luanda

LUANDA, July 27.

THE 5,000-strong army of the FNLA, marching south on the capital, has captured strategic towns north and east of Luanda, effectively cutting off the rival movement defending Luanda from reinforcements and supplies, a Portuguese military spokesman said to-day.

He said that the National Front army, commanded by its president, Holden Roberto, has taken two strategic towns which control road and rail links with Luanda—Caxito, 27 miles north, and Lucala, 170 miles east of the capital.

The spokesman could not say if the National Front was continuing its march to-day or whether it was consolidating its forces. He said that the Front and its rival, the MPLA, were fighting at Malange, 220 miles east of the capital, where 700 civilians took refuge in the Portuguese army barracks.

In Luanda, held by the Popular Movement, a group of Front troops held the 16th-century Sao Pedro da Barra fort beside the city's fuel dump. During fighting on Saturday a low-octane fuel storage tank was set alight, sending a cloud of black smoke over the seaside capital. At three points in the northern industrial suburbs the Popular Movement used mortar bombs to try and dislodge three of their rival's remaining units.

In Luanda, at least 20 people were killed when Portuguese troops opened fire to-day outside An MPLA spokesman said shots were fired when the Portuguese troops demanded the handover of MPLA soldiers they claimed had shot dead one of their officers the previous night. the Luanda headquarters of the MPLA.

The present fighting began about two weeks ago when the two movements clashed bitterly in the streets of Luanda, claiming at least 300 lives and 1,500 wounded. The two sides are long-standing tribal and political rivals—the Popular Movement has Communist support and the National Front is backed by China, but retains its African nationalist alignment.

During this year they signed seven peace treaties and broke them all, the last on July 24. UPI

Our Own Correspondent reports: The British Consulate General in Luanda, where the first British consulate opened in December, 1844, was closed down to-day and the seven British members of the consular staff were evacuated on Board a VC-10 of the RAF.

Twenty other British citizens, mainly businessmen, left on the aircraft together with about ten Americans and another 18 people of various nationalities, almost all men as most dependants of expatriate residents in Luanda had already left.

Christian Democrats replace Sig. Fanfani

BY ANTHONY ROBINSON

ROME, July 27.

AFTER FOUR days of bitter infighting Italy's Christian Democrat Party National Council has finally chosen a 63-year-old outsider Signor Benigno Zaccagnini for the post of Party Secretary to replace Signor Amintore Fanfani who was ousted last Tuesday.

Signor Zaccagnini is a political ally of Mr. Aldo Moro, the PM. A former pediatrician he fought with the partisans at the end of the last war and has been a Christian Democrat deputy in Parliament continuously since 1947. A former Minister of Labour and Minister of Public Works he has also held down various party posts including chairman of the C.D. party group in the Lower House and latterly chairman of the national council.

He is regarded both within and outside the party as a personally unambitious man who has kept aloof from the private empire building which has characterised the past few years of C.D. party affairs. Observers have dubbed him "the right man chosen in the wrong way."

He owes his election principally to the inability of the party's largest faction, the Doroteo, to drum up sufficient support for their candidate, Signor Flaminio Piccoli. The latter saw his efforts thwarted by the implacable opposition of Sr. Fanfani and the second thoughts of other faction leaders who failed to see in Sr. Piccoli the qualities needed to give the party leadership and a credible new image.

But the failure to impose their own candidate represents a traumatic shock for the Doroteo faction which up to now has considered itself the party's king-maker. Right up to the end the Doroteo group had threatened to resign their Government posts and bring down Sr. Moro's Government if they failed to have their way. Faced with this threat, Sr. Moro coldly let it be known that he would simply replace them by men from other factions. Now they have had their bluff called. It remains to be seen whether Foreign Minister Mariano Rumor and the other Doroteo Ministers will in fact resign. The odds are against it, however, as the Doroteo faction is above all an alliance for power. In many ways its dilemma is that of the CD party itself—if it loses power it risks losing the only cement which holds it together, power itself.

Greek junta on trial

BY OUR OWN CORRESPONDENT

ATHENS, July 27.

TWENTY ringleaders of the military junta which seized power in April, 1967, including Mr. George Papadopoulos, the former president, go on trial before a civilian high court tomorrow on charges of high treason and insurrection which entail a possible death penalty.

The trial, termed here the "Nuremberg of Greece," is being held amid public concern that the fallen junta still has a sizeable number of diehard supporters.

Strict security measures are being taken to prevent a recurrence of last Wednesday's violent rioting in Athens believed to have been instigated by former members of the hated military police bent on creating a state of anarchy to undermine the government and possibly have the trial postponed.

In addition to banning open air rallies until the end of the trial, expected to last six weeks, the government has turned the Korydallos prison near Pireaus into a formidable fortress. Strong police forces backed by armoured cars guard the area while anti-tank artillery has been placed inside the prison walls.

The 150-page indictment calls for the trial of 24 leading members of the Junta. Three of them have managed to escape arrest and are abroad. A fourth, retired Lt-Colonel Theodoros Theofyloyanakos, will be tried separately later on the high treason charges. This will enable him to stand trial by court martial on August seven together with 31 other officers on charges of having tortured political prisoners.

'Clean up the Rhine'

BY PAUL ELLMAN

WESTERN EUROPE has made little progress towards effective regional action to stem pollution of its greatest commercial waterway, the Rhine, according to a study published to-day.

Prepared by a group set up jointly by the Royal Institute of International Affairs and Political and Economic Planning, the study finds that "it is clear that politically and historically there is no great sense of the area as an entity."

Although the river has had a divisive effect as a frontier and suffers from wide geographical contrasts, the study argues that there is a strong case for overall environmental management to ensure its most efficient use.

The authors suggest that national governments should allow a great deal of freedom to local and regional authorities. This could be done by making fuller use of existing organisation rather than by creating a new authority.

Protests at Mrs. Gandhi

NEW DELHI, July 27.

AN ESTIMATED 10,000 Indians have demonstrated in Gujarat against Mrs. Gandhi's state of emergency decree, newsmen returning from the scene said to-day.

Foreign correspondents who covered the rally on Saturday in Ahmedabad, the state capital, said Babubhai Patel, the chief minister, called for non-violent resistance to the measure.

The demonstrations, the first known mass protests against the emergency, were in direct violation of the decree which forbids the gathering of more than five persons in a public place.

In New Delhi, most foreign correspondents have signed a revised Government agreement to assume "full responsibility" for their dispatches in view of stiff Government censorship guidelines. The statement, unlike a previous one the Government has since withdrawn, does not commit the newsmen to follow the guidelines. UPI

U.S. team for Dubai blowout

DUBAI, July 27.

A TEAM of American oil experts arrived here to deal with a wild-cat well, spewing poisonous gas, which has caused a big cut in the Gulf state's oil production, informed sources said to-day.

The well was being drilled in the Dubai Petroleum Company's Fatah complex, 60 miles offshore, when it blew out, gushing water and hydrogen sulphide gas. Officials of the company, operated by Continental Oil (Conoco), immediately evacuated about 100 workers from the area and closed down nearby producing wells.

A statement issued by Conoco in New York said that the temporary closure of the producing wells had cut output by 280,000 barrels a day, more than half Dubai's daily production of 400,000 barrels.

The statement added it was impossible to say when full or partial production would be restored. Reuter

THE JOBS COLUMN

They all say 'too low'

BY MICHAEL DIXON

I ASKED for it. About two score readers have been in touch as a result of my request for comments on the "Reward" salary statistics printed in the last Jobs Column. I am very grateful to them, even though they have left me somewhat floundering amid piles of paper.

All of the readers' replies are agreed on one point. It is that the Reward figures (based on a sample of around 3,800 people in the London area who became job-candidates with the government-sponsored Professional and Executive Recruitment agency in February-May) are too low to be representative.

To give an idea of the PER levels' lowliness, Barry Hine, the incomes research manager of Lloyd Executive Selection has sent the table which is printed here this week.

The table compares some of the Reward figures (given in brackets) with the results of Lloyd's own surveys also made in the London area at about the same time. Whereas the Reward figures are culled from candidates seeking jobs, however, Lloyd's statistics are arrived at basically by asking a sample of companies what they are actually paying to people in the categories concerned at the survey date.

As you see, the result is salary levels which generally exceed those of the PER sample. In several instances, the difference is considerable.

What is more, other information sent by the highly regarded salary surveying company Remuneration Economics — which also bases its findings on what employers report they are paying — suggests that the Lloyd statistics may be too low.

Much of the Remuneration Economics information is not sufficiently comparable to set against this week's table. But it does provide adequately corresponding lower quartile, median, and upper quartile figures for London-based computer people, as follows:

Computer managers £6,500, £7,312, and £8,607. Systems analysts £3,744, £4,350, and £4,990. Programmers £2,520, £3,050, and £3,626.

The readers' unanimous belief that it is the Reward survey which is wrong is based on several arguments.

One is that PER job-candidates not only include numerous unemployed but also tend to come from the lower grades of staff in the various categories of "managerial" work. In consequence, this argument runs, the Reward survey is almost by its nature weighted heavily downwards.

Another oft-repeated explanation is that the Reward figures are based on the insensitive job-title-classification system, CODOT. As a result, the survey does not differentiate between different levels of qualification, authority or even experience in the work. Reward's "accountants," for instance, lump professionally qualified together wtih uncertificated and indians together with chiefs.

My own conclusion is that the PER survey indeed fails to give a reliable guide to the salaries of qualified staff in large, well-organised companies. The only question now is whether it is valid as an indication of pay in smaller businesses. In spite of my flounderings this week I would welcome any light which readers can shed on that point.

	Lower quartile	Median	Upper quartile
Company secretaries	£4,500 (£3,500)	£5,750 (£5,000)	£6,000 (£6,000)
Financial accountants	£3,500 (£3,000)	£4,250 (£3,700)	£4,750 (£4,700)
Cost accountants	£3,500 (£3,000)	£3,750 (£3,750)	£4,250 (£4,750)
Marketing managers	£4,750 (£3,200)	£5,500 (£4,200)	£6,000 (£5,500)
Sales managers	£5,000 (£3,450)	£5,750 (£4,050)	£6,500 (£5,000)
Administration managers	£3,500 (£3,000)	£4,000 (£3,650)	£5,750 (£4,350)
Personnel managers	£3,600 (£2,750)	£4,500 (£3,300)	£5,000 (£4,500)
Production managers	£3,500 (£3,000)	£4,250 (£3,500)	£4,750 (£4,100)
Purchasing managers	£3,850 (£2,500)	£4,250 (£3,100)	£4,750 (£4,000)
Computer managers	£5,500 (£4,200)	£6,000 (£5,250)	£6,500 (£6,500)
Systems analysts	£3,250 (£2,800)	£3,750 (£3,400)	£4,000 (£4,000)
Programmers	£2,650 (£2,200)	£2,850 (£2,500)	£3,250 (£2,900)

The Executive's World

Art Garcia reports on the bureacratic bible which has been sweeping U.S. boardrooms

Maxims for Blunderland

PICK A TRADE, profession or special interest and chances are dozens of books are available to tell you how to do it, but for someone who aspires to be a bureaucrat, "such resources simply are not sufficient," says Thomas Martin Jr., a genial and unassuming 53-year-old academician who has attempted to fill that void. Since bureaucracies are an essential part of government, industry and education, what is needed is a handbook or training manual to supplement the rules, axioms and principles that have been produced by management theorists in recent years, something Mr. Martin, an electrical engineer who is president of Illinois Institute of Technology, provides by analysing this collected wit and wisdom.

The scalpel Mr. Martin uses to get to the heart of bureaucratic truth is the sharp edge of sardonic humour. Managers have smiled knowingly at the important contributions to understanding corporate bureaucracy stated so succinctly by C. Northcote Parkinson, Laurence Peter and Antony Jay. These have helped their understanding of why where they work is, as Mr. Martin puts it, "a veritable blunderland of *mishap*, delay, confusion, maladroitness and induced group paranoia." The authors all offer valuable insights but the principles they espouse are all-encompassing attempts to create a "cosmology" for corporate behaviour, contends Mr. Martin.

"These attempts to achieve universality are doomed to failure," he argues, because there are too many varieties of bureaucracies and the many aspects of human response to them lead to more situations than can be accurately described by a few "highly generalised" laws or principles. "Blunderland," he goes on, "is a complex world, at least as complicated as high energy physics, and therefore requires an equally extensive collection of laws and principles for its description." Thus, the aim of his book, "Malice in Blunderland," is to collect in related sequences, "all of the laws of organisational and bureaucratic behaviour that can be found."

Murphy's Law

Conceding that many positive accomplishments are the result of bureaucratic effort, Mr. Martin also notes that bureaucrates and bureaucracies "are the architects of much of the mischief, or the malice, intentional or unintentional, that characterises the world to-day." With the foundation provided by the well-known Murphy's Law ("If something can go wrong, it will") and Peter Principle ("In a hierarchy every employee tends to rise to his maximum level of incompetence"), he links analogs, corrollaries, axioms, maxims and nuances of others as well as many of his own. The brief book, first published by McGraw-Hill Book Company in 1973, now is in its third printing and slowly is becoming a bureaucratic bible, a survival handbook for those seeking to protect indifference, ineptitude and inferiority.

For even the casual reader flipping the pages of Mr. Martin's 128-page book, there's solace, encouragement or inspiration on nearly every page. Early in the book, for example, he introduces the "laws of the laboratory" proclaimed by Dr. Lee Harrisberger, a dean of engineering at the University of Texas, which can be applied anywhere: "If it jams—force it. If it breaks, it needed replacing anyway." Then there's Thoreau's Law: "If you see a man approaching you with the obvious intent of doing you good, you should run for your life." An unknown author given the name Jones is credited with this clue to executive longevity: "The man who can smile when things go wrong has thought of someone he can blame it on." That's buttressed by the confidence of Peter's Placebo, which declares, "An ounce of image is worth a pound of performance."

Eric Sevareid, a noted CBS radio and television network commentator, provided a simple explanation of why things go wrong: "The chief cause of problems is solutions," a law whose simplicity Mr. Martin says belies its importance and generality. "It should be clear to even the most casual observer the United States is not suffering from too many problems. No, we are suffering from an overwhelming excess of solutions. If the politicians would just stop inventing solutions," writes Mr. Martin, "our problems would largely go away." The nation's ills, he suggests, are the result of "too many provocative purveyors of panaceas—those experts who have all the answers if only they could find the right solutions."

Since the turn of the century, the world has seen an enormous expansion of bureaucracy at all levels. "And so, as individuals were swallowed up in these ever-expanding bureaucracies, society itself largely became a battleground of contending bureaucracies, with every citizen a part of many and the victim of many more," he says. Nearly every facet of to-day's living is controlled or at least significantly affected by some bureaucrat not answerable to those he influencies. In a chapter entitled, "Hierarchiology," Mr. Martin studies the bureaucratic pecking order and how managers endure.

Truman's Law

In dissecting pyramidal hierarchy, he quotes Dr. Thomas Jones, president of the University of South Carolina: "As an administrator, you need to give ten pats on the head for each kick in the butt. This is the reason for keeping the number of people reporting to you a fairly small number. Otherwise you will run out of hands, but still have an overcapacity of feet." To maintain the status quo, remember Rayburn's Rule, postulated by the former Speaker of the U.S. House of Representatives: "If you want to get along, go along," or President Harry Truman's Law: "If you can't convince them, confuse them."

Mr. Martin, who got the idea for his book while confined to intensive care following a serious heart attack in 1971 and not allowed visitors but permitted to read, points out a manager is a leader, a decision-maker, a person who changes things — "the exact reverse of the administrator." He's not likely to be loved much by his hierarchial colleagues at any level but he's armoured against the slings and arrows of outraged bureaucrats by this credo: "Yea, though I walk through the valley of the shadow of death I shall fear no evil, because I'm the meanest son-of-a-bitch in the organisation." He should also remember the law of Fred Bucy, executive vice-president at Texas Instruments, that "Nothing is ever accomplished by a reasonable man."

The heavy reading into works on social and corporate structure that helped carry him through the lonely isolation of the hospital prompted Mr. Martin to begin collecting humorous truisms on index cards. Several years later he sorted and studied them and eventually discovered they could be tied together by "underlying threads of continuity." He is on the Board of directors of several large U.S. corporations and was chairman of the construction committee for the new Dallas-Fort Worth Airport in Texas. Mr. Martin also is the author of four major textbooks on electrical engineering and a civil defence guidebook. There's an element of truth in all of the 140 sayings in "Malice in Blunderland," some of which he turns to in making his own difficult decisions.

One, called Matsch's Law, came from Professor L. W. Matsch who provided this counsel to a younger Mr. Martin during the agony of preparing to fire an employee: "It is better to have a horrible ending than horrors without end." Says Mr. Martin. "Sometimes when I'm confronted with sticky decisions I find that reassuring." But the one law that explains more about blunderland than any other single law or combination, he adds, is Imhoff's Law, named for a reluctant professor and which offers this bit of comfort: "The organisation of any bureaucracy is very much like a septic tank. The really big chunks always rise to the top."

Dr. David Carrick writes about last week's report on post-coronary patients and asks is it

A sin to have a noggin?

"WOULD IT be an awful sin if I had a small spoonful of honey in my tea," asked a worried little 65 year old patient of mine. "Would it be a sin?" "A sin!" I exclaimed, "Not a sin; just nauseating. I would imagine. Why on earth would you want to do such a ghastly thing?"

"Well you see," he explained, "they say I must not touch sugar, but I just hate neat tea."

Suddenly I remembered that I had sent the supplicant to hospital some eight weeks before when he had suffered a fairly serious coronary. Delighted that he was alive, I was now rather worried by his state of anxiety over the sugar. He cheered up at the thought of tea and honey, but he had another question to ask:

"And would it be a worse sin," he whispered, "to have a drop of whisky—just a little one—as a night-cap to help me sleep?" You see, he added, "I have had a little noggin every night for 40 years because I do not hold with pills. I do not drink a drop the rest of the day, but I just lie awake all night without my 'medicine.' But would it be harmful and sinful?"

It is always difficult and embarrassing to countermand the orders of colleagues, but in this case I did not hesitate to do so. After all, here was this little man, 65 years of age, suddenly forbidden two of the very few pleasures he had (he was not interested in women) and for what purpose? Denying those two items was unlikely to make him live longer—even if the miserable monotony might have made it seem longer.

So why bother to maintain a life of drab sadness at all? I assured him that he would not be sinning by breaking the rules and hoped that he would enjoy his whisky and honey. Every day now I am rewarded by his beaming smile and thumbs-up sign as I step past his vigorous stair-scrubbing—five years after the illness! Somehow I fancy that, had his abstention continued, it would not have been long before he had journeyed to that bourne whence travellers do not return and where a lack of whisky or honey could not worry him any more.

The post-coronary patient is too often an unnecessary valetudinarian. Had his trouble been a broken leg, he would think no more about it when the plaster was removed. But so much is made of "heart attacks" that the fear of further and worse attacks grows like yeast, a fear that is fostered by anxious relatives, friends, employers and, alas, by some doctors. And it is this general atmosphere of anxiety that so often builds the greatest barrier to a resumption of a life that has been suddenly disturbed.

Having attempted to reduce such fears in these patients for years, I was more than delighted at the report from so august a body as the Royal College of Physicians of London (reported on Thursday) which supported the view that post-coronary patients do *not* have to be frightened invalids for the rest of their needlessly sad existence.

One very important point made in the report was that patients should have explanation, reassurance and encouragement from the start. As one attempt to help this campaign, a brief description of what a "coronary" is may be useful.

The heart is a strong versatile pump to circulate the blood. As it works harder than any other part of the body its muscles must receive a good blood-supply. This is carried out by two major coronary arteries plus their branches. For some known and other unknown reason, a main coronary artery or one of its branches may be occluded. Once this has happened the part supplied dies and is replaced with scar tissue. Obviously if the area affected is very large, the patient either dies or survives to live a much restricted life.

A majority of cases, however, have small areas knocked out and the heart can manage very well so long as it is allowed to do so.

Thus, once the situation has been assessed by a competent cardiologist who has confined the degree of damage, plans can be made to live again. Instead of a moping, fear-riddled invalidism, most of the post-coronaries can return to work within two months; enjoy their pleasures after a period of rehabilitation and forget what has happened as easily as they would forget a once-broken arm. For fear in the heart, aggravated by over-protective relatives, friends and employers is a doom-laden formula hardly calculated to lead to happiness or longevity.

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Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
To-day	Intnl. Fire Exhibition and Conference (cl. Aug. 1)	Olympia
July 29—Aug. 2	Tyneside Summer Exhibition	Newcastle upon Tyne
July 30—Aug. 2	Royal Lancashire Show	Kirkham
Aug. 1—2	The Hull Show	Kingston upon Hull
Aug. 2	Perthshire Agricultural Show	Perth
Aug. 3—7	Midlands Toy and Gift Fair	Solihull
Aug. 5—9	Dublin Horse Show	Dublin
Aug. 11—14	British Furniture Manufacturers' Exbn.	Manchester
Aug. 14—15	United Counties Agricultural Show	Carmarthen
Aug. 17—21	International Gift Fair	Earls Court
Aug. 22—30	European Model Railway Festival	Central Hall, S.W.1
Aug. 23—31	Brighton Intnl. Exbn. and Trade Fair	Metropole Exbn. Hall
Aug. 23—Sept. 6	Handicrafts and Do-it-Yourself Exbn.	Olympia
Aug. 30—Sept. 4	Motor Cycle Exhibition	Earls Court
Aug. 31—Sept. 4	West of England Gift Fair	Bristol
Sept. 2—4	Control and Instrumentation Exhibition	West Centre Hotel, W.6
Sept. 2—5	Northern Floor Coverings Fair	Harrogate Exbn. Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Ocean Exposition (cl. Jan. 18)	Okinawa
Current	Dornbirn Fair (cl. Aug. 3)	Dornbirn, Austria
Current	International Arts and Antiques Fair (cl. Aug. 3)	Helsingborg, Sweden
To-day	Packaging and Food Processing Exbn. (cl. Aug. 1)	Johannesburg
To-day	International Engineering Exhibition (cl. Aug. 2)	Melbourne
To-day	Instruments, Automation, Electronics (cl. Aug. 2)	Melbourne
July 29—31	Western Packaging Exhibition	Anaheim, U.S.
Aug. 1—10	Intnl. Sport Equipment Exhibition	Singapore
Aug. 3—5	Shoe Show and Fashion Week	New York
Aug. 5—8	Aids to Navigation (Trinity House sponsored)	Ottawa
Aug. 6—20	Fishing Machinery Equip. and Processing	Leningrad
Aug. 9—17	Austrian Timber Fair	Klagenfurt
Aug. 15—24	International Trade Fair	Malmo
Aug. 17—20	Fancy Food and Confection Show	Chicago
Aug. 20—Sept. 1	Plant Protection Exhibition	Moscow
Aug. 20—Sept. 5	International Fair	Algiers
Aug. 20—Sept. 6	New Zealand Trade Fair	Wellington
Aug. 20—Sept. 20	International Fair	Izmir, Turkey
Aug. 22—24	International Men's Fashion Week	Cologne
Aug. 22—Sept. 7	International Trade Fair	Reykjavik
Aug. 23—27	International Leather Goods Fair	Offenbach
Aug. 24—26	International Fashion Fair	Gothenburg
Aug. 24—27	International Fair	Frankfurt
Aug. 24—28	Fall Gift Show	Montreal
Aug. 26—29	Intnl. Sports and Recreation Trade Fair	Stockholm
Aug. 26—28	National Hardware Show	Chicago
Aug. 27—Sept. 7	Ideal Home Exhibition	Dublin
Aug. 28—Sept. 2	Radio and TV Exhibition	Zurich
Aug. 28—Sept. 7	Mining Industry Technical Exhibition	Donetsk
Aug. 29—Sept. 7	International Radio and TV Exhibition	Berlin
Aug. 31—Sept. 2	Men's Fashion Fair	Copenhagen
Aug. 31—Sept. 3	Toys and Souvenirs Exhibition	Lausanne
Aug. 31—Sept. 4	Intnl. Autumn Fair (consumer goods)	Utrecht
Aug. 31—Sept. 5	Fall Gift, Jewellery and Housewares Show	Dallas
Aug. 31—Sept. 7	International Autumn Fair	Leipzig
Aug. 31—Sept. 8	China, Ceramics and Jewellery Exbbn.	Brussels
Aug. 31—Sept. 14	International Fair	Thessalonika
Sept. 1—5	Intnl. Water Conservancy Exbn. and Conf.	Jonkoping, Sweden
Sept. 3—10	International Trade Fair	Plovdiv, Bulgaria

BUSINESS AND MANAGEMENT CONFERENCES

Current	International Marketing Programme (cl. Aug. 2)	Emmanuel Coll., Cambridge
July 29—31	Guardian Bus. Ser.: Effective Interviewing	St. Ermin's Hotel, S.W.1
July 29—31	ASM: Project Management	Piccadilly Hotel, W.1
Aug. 3—8	N-E London Polytechnic: Systems Workshop	Chelmsford
Aug. 3—10	BACIE: Educ. and Training in England 1975	Wadham Coll., Oxford
Aug. 4—5	Marketing Imp.: Finance in Marketing	7 Kendall Place, W.1
Aug. 11—15	ABRAXAS Man Research: Basic Synetics	Richmond Hill Hotel
Aug. 28	Avon Noise Control: Industrial Noise	Melksham, Wilts.
Sept. 1—2	Financial Times, Norwegian Journal of Commerce and Shipping, Svenska Dagbladet, Berlinske Tidende, Helsingin Sanomat and the Oil Daily: The Second Scandinavia and the North Sea Conference	Oslo
Sept. 1—5	Brunel Univ.: Workplace Negotiations	Uxbridge, Middlesex
Sept. 1—26	Harry Mitchell & Partners: Work Study	Beeston, Notts.
Sept. 2—3	Henley Centre: Britain in the 1980s	Henley, Oxfordshire
Sept. 2—4	IPM: Efficient Personnel Administration	Park Court Hotel, W.2
Sept. 2—4	Nat. Eng. Laboratory: Energy Utilisation	Glasgow
Sept. 3	Inst. Met.: Materials in Petro-Chemicals	Runcorn, Cheshire

Distillers subsidiary leaves London

By Kenneth Gooding, Industrial Correspondent

THERE IS to be a significant shake-up at Distillers Agency, the Distillers Company subsidiary responsible for the King George IV brand, a whisky with a good reputation, but which has never been among the U.K. leaders.

It will include the closing of the Agency's offices in Pall Mall and Edinburgh—it will work from a new base at Leith—and the retirement on early pension of managing director Mr. D. B. Sanderson, who is in his 50s.

King George IV is without a distribution agency in England and Wales because the contract with Courtenay Wines (part of Cadbury Schweppes) was not renewed when it recently ran out.

However, the brand is being given prominent backing by members of the Leonard Tong buying consortium. Tong was set up so that the members could, by putting their weight together, get better terms when buying wines and spirits.

The companies involved in Tong are Gough Brothers, Ellis and Co. (Richmond), Unwins, Cullens, Fuller Smith and Turner, Finch's Roberts of Worthing, J. T. Davies and Ashe and Nephew, a Lonrho subsidiary. Between them they have roughly 1,000 outlets.

The Agency will concentrate on selling King George IV and its associated brands (Highland Nectar, Taliskar malt and Rosebank lowland malt) abroad.

In Scotland, distribution is handled by Ushers, part of the Vaux brewing group.

Distillers said: "The reorganisation follows a study of the situation within DAL. The idea is to strengthen the King George IV brand by reducing overheads."

WILLIAM COX IN IRAN VENTURE

William Cox, the Yule Catto subsidiary, has signed a letter of intent with the Dr. Saheb Group to set up a joint venture in Iran for the manufacture of acrylic sanitary ware and other themoplastic products.

The development comes after visits to Iran by the Cox group managing director, Mr. Philip Back, and the group's participation in the Tehran Construction Fair last month.

LABOUR NEWS

Water men accept loss of interim pay rise

BY CHRISTIAN TYLER, LABOUR STAFF

THE GOVERNMENT'S new anti-inflation policy has forced unions representing water supply manual workers to drop attempts to use a clause in their agreements to win an interim pay rise.

The 43,000 water supply workers follow another 1.5m. in the public sector who have been told by employers that there is no chance of a further rise before current deals expire.

The TUC's guidelines to negotiators, annexed to the Government's White Paper setting out the pay policy, make it clear that the 12 month gap between pay rises laid down by the social contract pay guidelines must continue to apply.

Most of the main unions involved have bowed to the guidelines, but the National Union of Public Employees is maintaining a non-committal stance as it awaits developments before the next pay round gets properly under way in the autumn.

Water workers unions, led by the General and Municipal Workers Union, attempted to use an "inflation clause" in their current deal to obtain a 4 per cent. interim rise before the White Paper was published. But they will now wait for their next principal negotiations in December.

In the private sector, building unions have also asked for talks to re-open their January agreement covering some 800,000 construction workers. This claim remains on the table but the employers are unlikely to agree to any adjustment until June next year when the present deal expires.

The public sector workers who have had claims shelved are the local government and hospital manual workers, nurses and firemen.

Wage targets plan suggested for low-paid

By Our Labour Reporter

A CALL for special Government powers to set wage targets for the low-paid which wages councils should achieve over three years is made to-day by the Low Pay Unit.

The Unit's proposals are expected to be taken up in the Commons this week by Mr. Cyril Smith, the Liberal Chief Whip and MP for Rochdale, who will embody them in an amendment he plans to move during the report stage of the Employment Protection Bill.

About 46 wages councils are responsible for setting legal minimum pay rates for about 12 per cent. of Britain's total workforce. In a study of 30 wages council settlements from December, 1974, to May, 1975, the unit found that not a single award set a minimum rate at or above the TUC £30-a-week minimum wage target.

It found nine agreements setting minimum rates below £20 a week and only three with rates at between £25 and £30.

It said that because strong trade unionism was still a distant prospect in the wages council sector, greater Government direction was needed.

In addition to taking powers to set a moving low-pay target for wages councils, the Government should be able to compel councils to set new minimum rates if they looked unlikely to meet the target over a three-year period.

Initially, the target should be £30 a week, or 66 per cent. of average earnings, whichever was the greater. This would be a significant attack on the pay problem in the Wages Council industries which, together, employed 20 per cent. of all low-paid men and 40 per cent. of low-paid women.

NGA jibs at TUC fee

BY OUR LABOUR REPORTER

THE NATIONAL Graphical Association will decide in 10 days whether to accept terms for reaffiliation to the TUC which would end nearly three years of isolation imposed by the union's refusal to de-register under the Industrial Relations Act.

A main obstacle to the NGA reaffiliating in time to attend the annual TUC Congress in September is the TUC's insistence that the union should pay affiliation fees covering the period since it ceased to be a member in the autumn of 1972.

These fees add up to £35,000 and the NGA leadership's line, which is likely to be endorsed by its national executive next week, is that the union should not have to pay for the 15 months since it lodged its application to re-affiliate in May.

The NGA claims that opposition by other printing unions caused deliberate delay by the TUC in the face of the union's pressure for a speedy answer to its application. Most of this opposition had faded considerably by the beginning of this year, leaving only the Society of Graphical and Allied Trades still hostile.

The way was finally cleared for last week's TUC general council meeting to recommend acceptance of the NGA application by talks between the two unions and TUC leaders. At these talks the NGA appeared to satisfy SOGAT's grievances over alleged membership "poaching" by undertaking to honour the TUC's Bridlington principles covering this kind of inter-union dispute.

Scargill fears Fascist trend

BRITAIN COULD be heading towards Fascism, Mr. Arthur Scargill, Yorkshire area miners' leader, said at the week-end. "We are probably at the most critical stage in the history and development of the British capitalist society," he told the annual conference in London of the British Humanist Association.

One possibility was that it would destroy itself by its contradictions and be replaced by a much more severe form of society resembling the systems which sprang into existence in Nazi Germany, Italy and Spain in 1936.

Ten per cent. of the population of Britain owned and controlled the means of producing wealth while 90 per cent. had nothing apart from the ability to sell their labour for the best possible prices.

Capitalism as a society would work itself to destruction or fundamentally change in its concept.

BID TO END BR CATERERS' STRIKE

Efforts will be made in talks to-day to settle a pay strike of 40 catering staff at the British Rail Research Centre in Derby, which started on Wednesday over pay.

TALKS IN CRISP PLANT DISPUTE

Management and union officials meet to-day in an attempt to end a three-day strike by 45 cleaners at the Golden Wonder crisp factory in Corby, Northants, which has stopped production.

TUC seeks new curbs on 'dumping'

By Our Labour Correspondent

TUC LEADERS will renew their pressure for selective import controls to help a range of industries from textiles to motor cars in talks with Government Ministers to-morrow.

With unemployment having reached the 1m. mark, the TUC will argue that some control on imports is now more necessary than ever to protect jobs in industries which they claim are being threatened by the "dumping" of foreign products.

New policies most favoured by the TUC include improvements in the rules on "dumping," a selective system of quotas to protect the domestic market and the immediate application of an import deposit scheme.

Present at to-morrow's meeting with Mr. Peter Shore, the Trade Secretary, will be senior members of the TUC's economic committee—Mr. Jack Jones, general secretary of the Transport and General Workers, Mr. David Basnett, general secretary of the General and Municipal Workers, and Mr. Tom Jackson, general secretary of the Union of Post Office Workers.

Both Mr. Jones and Mr. Basnett have members in industries which have come under pressure from foreign imports and they are expected to refer to the particular problems of textiles, clothing and footwear, electronic and electrical appliances, motor cars and glassware.

Other Ministers due to attend to-morrow's meeting are Mr. Michael Foot, the Employment Secretary, Mr. Harold Lever, the Chancellor of the Duchy of Lancaster, Mr. Edmund Dell, the Paymaster-General, and Lord Beswick, the Minister for Industry.

Lower tonnage into Humber

INWARD TRAFFIC through the Humber ports for the five weeks ended June 29, showed a sharp decline compared with 1974 figures. In this period 1,956,419 tonnes were recorded, compared with 2,293,922 for the five weeks ended June 30, 1974.

For the aggregate 26 weeks of this year, inward traffic totalled 10,251,018 tonnes, compared with 11,552,210 for the corresponding period last year, according to the British Transport Docks Board.

Outward traffic for the five weeks ended June 29 this year, showed an increase—925,070 tonnes, compared with 872,232 for the corresponding period in 1974.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

[illegible]

Engineers disagree on shake-up

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

BRITAIN'S 300,000 professional engineers are still in some disarray over plans for a powerful central organisation which would get them a better hearing when dealing with the Government and produce a better public image.

Radical changes are to be made to the Council of Engineering Institutions, set up ten years ago as a federation of 15 chartered institutions, but these do not go far enough for the Institution of Electrical Engineers, one of the three large institutions which first promoted the idea of a shake-up for the CEI.

The electrical engineers are "disappointed" with the outcome of a vital CEI meeting at which compromise proposals were agreed. Between now and September they will be considering what action they can take.

Perhaps the most important change agreed for the CEI is that individual engineers may now become members—the CEI would then not be a federation of 15 institutions.

At the same time the membership of the CEI's council is to be streamlined and cut to half its present size.

This, it is argued, will make the CEI more flexible and able to react more quickly when events occur which demand a reaction from professional engineers. Because the CEI would represent 300,000 engineers rather than 15 institutions, it should get a more sympathetic hearing from Government or any other organisation to which it wanted to make a point.

Moves to change the CEI into an "Institution of Engineers" began three years ago after rising frustration, particularly among younger engineers, about their status in the community and the fact that the profession has no unified voice in dealing with Government departments.

There is a widespread feeling in the profession that its failure to establish a status comparable with that of doctors and solicitors, for instance is having a damaging effect on recruitment.

Proposals for a new, more-powerful body put forward by the "big three"—the Institution of Civil Engineers, the Institution of Mechanical Engineers and the Institution of Electrical Engineers—have met with resistance though from smaller institutions.

Home sales rise boosts 'starts'

BRITAIN'S MINI-BOOM in house sales is giving builders the confidence to start more new homes.

On present trends, more than 130,000 private houses should be started this year, and almost 150,000 should be completed, according to figures issued yesterday by the National House-Building Council.

"Both figures are very low by comparison with the past ten years, but better than we feared in the most pessimistc period of 1974," it says.

Starts in the first six months of this year totalled 68,509, an increase of 38 per cent. over the same period last year. Completions numbered 77,791, up 6 per cent.

The number of houses/flats planned, in the pipeline or under inspection, fell by just over 13,000 to 193,635.

The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMMUNICATIONS

Electronic postman at the desk

MUIRHEAD has chosen the second World Telecommunications Exhibition, to be held in Geneva next October, for the unveiling of its answer to soaring clerical and postal charges, coupled with increasingly unacceptable delays in getting important messages passed round and between companies.

"Mufaxgram" describes the equipment, which comprises a compact desk-top receiver and a small transmitter. The company asserts that, with it, correspondence and inter-office memoranda can be produced and despatched at considerably lower cost and much higher speed than by conventional means.

Handling paper slightly smaller than A5 size, the unit does not need to be fed with typescript—handwriting is as legible, or illegible, on receipt as it was at despatch.

The executive's unit is less than six inches high and occupies about a square foot of desk space. It operates without attention and would normally be connected into a PABX or the public switch network.

There is no obstacle to installing the Mufaxgram in land vehicles, boats and aircraft, radiotelephone links being used in these instances.

Office to office confidentiality is complete and the speed of transmission of a full message is comparable, favourably, with dictating a communication to a shorthand writer who would still have to reproduce the notes in type.

Muirhead has given the following operating costs for the executive's facsimile unit, applied to a 200-word message:

	Dedicated Circuits	Public Network
Local	0.34p	1.8p
Up to 56 km	0.62p	5.4p
Over 56 km	2.26p	12.6p

The company points out that preparation, and paper costs for a normal letter are very much higher than the above without counting the cost of postage which, the company considers, must inevitably rise to European heights in the not too distant future. It is also well-known that IBM and Philips, to name only two companies in word-processing markets, assume a cost of not far from £2 per letter written from any major city under present conditions.

Muirhead, Data Communications Division, Beckenham, Kent BR3 4BE (01-650 4888).

● ELECTRONICS

Beckman bid in process control

A FULL range of electronic controllers, recorders, transmitters and panel mounted accessories marks Beckman's entry into the U.K. process control field.

For the controllers a hybrid digital/analogue approach has been used in which digital circuits are used for control, "housekeeping" and indication while analogue techniques implement the process control functions. One outcome is the prevention of overshoot when a change is made from manual to automatic, remote to local or any other similar transfer.

This "bumpless" operation is due to a settling circuit which determines any difference between process variable and set point and positions control devices in the plant accordingly. Other features include a six inch servo meter with 0.5 per cent. accuracy, deviation bands selectable at two, five or ten per cent. and easy upgrading to computer operation.

Four variable reluctance transmitters are launched for differential, absolute and gauge pressure, and for level. Conditioning and compensation is electronic and data is transmitted as a 4 to 20 mA signal.

Pen cleaning and inking becomes a thing of the past in the recorders, which employ direct writing techniques with pressure sensitive paper. On the single/dual channel instruments the pens write horizontally and the appearance conforms with the controllers and other panel mounted accessories. There is also a six channel version which writes vertically and is mounted in standard 19 in. racking.

Further information from Mr. D. Collier, Beckman-RIIC, Eastfield Industrial Estate, Glenrothes, Fife (0592 771234).

Pulse code channel upgrade

WITHOUT SAYING how it has been done, Bell Laboratories has announced successful development of equipment that should in due course allow the 40m. circuit miles of 24 channel PCM already installed in the U.S. to be upgraded to 48 channels.

There appears to have been no change in the transmitted bit rate at 1.5 megabits/sec.: the larger message carrying capacity is made possible by "newly designed electronics in the terminal and repeater devices installed in manholes along the route."

● COMPONENTS

Improved storage tubes

INTRODUCED BY Thomson-CSF, Bell Road, Daneshill, Basingstoke, Hants RG24 0QG (0256 29155) is a new series of single-ended recording storage tubes.

Using electromagnetic focussing and deflection with non-destructive read-out they are stated to have excellent grey-scale characteristics and are offered in 1, 1½ and 2 inch sizes, designated TME 1238A, TME 1239A and THS803. The orthogonal read-write resolution at 50 per cent. modulation is 1,000, 1,500 and 2,700 TV lines per diameter respectively, although these figures can be increased by operating the tube at higher voltages at the expense of a slight degradation of image uniformity. The limiting resolutions are respectively 2,000, 2,700 and 4,300 TV lines per diameter.

Likely applications for the tubes include TV frame freeze, slow scan television, data recording and storage, scan conversion and the integration of low level video signals. The big tube can be used in detail applications such as the production of hard copy from electrical signals or the storage of several TV-quality pictures side by side.

● LUBRICATION

Much less risk of corrosion

A HIGH temperature bearing grease, Rocol BRB 1200, which, says the manufacturer, resists corrosion to a degree previously considered impossible in bentone based greases, without resorting to the use of sodium nitrate as an inhibitor, has been introduced by Rocol.

The company says its research has led to the identification of a new type of inorganic corrosion inhibitor for greases. It is a compound that is non-toxic, yet compatible with the organo-clay base of Rocol BRB-1200, and not adversely affecting the lubricant's physical and temperature attributes.

It is claimed the grease meets the most stringent requirements of the Emcor Test (IP.220), a test set by the Institute of Petroleum to measure the corrosion resistance of bearing greases.

Suitable for all types of ball and roller bearings, the lubricant withstands temperatures from −30 degrees C to over 200 degrees C. Technical data may be obtained from Rocol, Rocol House, Swillington, Leeds, LS26 8BS

● METALWORKING

Will repair iron pipes

SPLIT COLLARS for use in repairing fractures in iron pipes or when it is necessary to "tee off" a pipeline are offered by Sir W. H. Bailey and Company, Gosford Road, Beccles, Suffolk (0502 712277).

Intended for 3, 4 or 6 inch spun iron pipe to BS 1211, the collars have a sealing range of ±0.150 on diameter due to nitrile rubber seals and so can be used on vertically cast pipe to BS 78 (dating back to 1917) and also older installed pipe, and on some metric sizes. A 10 deg. deflection in the line after fitting can also be accommodated.

Nominal working pressures are up to 2 bar (29.4 lbs/sq. inch), but each collar is individually tested to 4.5 bar (67lbs/sq. inch) hydraulic and 3 bar (44 lbs/sq. inch) pneumatic (porosity and leakage) before despatch.

● INSTRUMENTS

Wide range profiler

INSTRUMENTS producing a magnified cross section of surface irregularities over unusually wide ranges are being introduced by Gould Allco in France.

Each equipment consists of a controller unit, either single or dual channel recorder unit and one of three drive units with 1½, 6 or 12 inch traverse (38, 152 or 305 mm.). The one foot stylus traverse is believed to be the longest available.

Vertical sensitivity magnification can be from 100 to 1,000,000 times and meter cut-offs range from 0.003 to 0.3 inches (0.706 to 7.6 mm.), depending on the surface and the traverse speed. The latter can be selected between 0.01 and 0.10 in./sec. (0.254 and 2.54 mm./sec.).

A levelling device automatically compensates for the angle between the work piece surface and the instrument centre line. Chart traces are thus prevented from leaving the paper and operator adjustments from sample to sample are eliminated. More from Gould Allco, P.O. Box 31, F-91160 Longjumeau, France.

Vibration meter for the tyro

B & K LABORATORIES, Cross Lances Road, Hounslow, Middlesex, has a vibration meter for use by non-scientific personnel in any section of industry where the protective maintenance of valuable machinery is vital or where any form of vibration analysis is desirable.

Type 2511 has a wide range and is used in conjunction with a plug-in pick-up device to measure all forms of vibration. It is completely portable and its high standard of accuracy and stability makes it suitable for both laboratory and industrial applications.

Operation is simple and the device is calibrated in both metric and British units. Long cables between the pick-up and the instrument can be used without reduction in performance.

Measurements in terms of acceleration velocity, and displacement can be made and the RMS or peak-to-peak meter readings of the measured signals can be held at their maximum point by means of a switch provided for the purpose. The instrument has a frequency range of 0.3 Hz to 15 kHz in the acceleration mode and in the other modes the frequency range is determined by built-in filters. A built-in calibration signal is also provided.

The company is on 01-570 7774.

● CONSTRUCTION

Inflation cuts the costs

NORWEST HOLST has introduced into the U.K. the Parashell system of constructing reinforced concrete monolithic structures.

This eliminates the costly traditional shuttering for curved surfaces by using a strong inflatable membrane as the framework for thin-shell ellipsoidal domes. Shells are cast in less than a week by eight men.

The first building in the U.K. to be constructed by the method can be seen at Tingley, five miles south of Leeds near intersection 28 on the M62 motorway.

With a base of 32 metres (105 feet) and a polar height of 10 metres (33 feet), the Holst Parashell dome has an outside sprayed coating of Liquid Plastics' Decadex membrane.

Licensed by Binishells s.p.a. Italia, the Holst Parashell system uses a pre-formed membrane of nylon-reinforced neoprene which is anchored to a concrete ring beam, usually on a ground slab perimeter. Expanding steel reinforcing mesh and wet concrete are placed on the membrane and raised to the final shape by pumping air between the ground slab and the membrane.

A cover sheet remains over the outer surface of the shell during vibration and setting, after which it is removed and the membrane deflated. The final result is a dense monolithic concrete shell, ready for the finishing trades to take over.

Holst offers the Parashell system in seven sizes ranging from a basic diameter of 12 metres (40 feet) and polar height of 4 metres (13 feet) through to 40 metres (130 feet) diameter and 12 metres (40 feet) high.

Full details of the system are available from Holst Specialised Structures, 46, Clarendon Road, Watford, Herts. WD1 1HE (Watford 34481). Information on Decadex membrane can be obtained from Liquid Plastics, London Road, Preston, Lancashire PR1 4AJ (0772-59781).

● COMPUTERS

Tape format converter

DATA RECEIVED from cassette drives can be converted into computer compatible format on half inch reel-to-reel magnetic tape using the MT 472/M format converter introduced by Feedback Data. A hard-wire unit, it offers an alternative to the more costly computer-controlled systems sometimes used for this purpose.

It consists of a 10½-inch reel tape transport controlled by a buffered formatter together with code conversion electronics and the appropriate input interface.

Incoming data, which may be in 8-bit parallel or modem-compatible V24 form, is stacked in the buffer and code converted before recording on the tape in ICL or IBM standard. Both NRZI and PE versions are available.

Full read-after-write verification checks are carried out on the recorded data and in the event of a detected error a routine of re-tries is performed before alarms inform the operator. Further details from the company at Park Road, Crowborough, Sussex TN6 2QR (08926 3322).

● ENERGY

Power from the sun

POWER TOWER describes a method of using solar heat reflected from banks of mirrors for the large-scale generation of electricity. It is to be tested by Honeywell under an experimental U.S. Government study.

The experiment will seek to provide high energy concentration on a steam boiler mounted on top of a tower several hundred feet high. Banks of mirrors—heliostats—around the tower's base will focus the sun's rays on the boiler to generate steam. The steam would be piped under pressure to a conventional turbine generator, its heat stored for later use.

Authorisation for the study is from the U.S. Energy Research and Development Administration (ERDA), now backing many solar and other projects in the U.S. drive to become self-sufficient in energy by 1980. Solar power alone has had some $1bn. allocated to it.

Honeywell's Systems and Research Centre (S&RC) in Minneapolis is one of four companies selected by ERDA for the power tower study. The agency is providing initial funding of $8m. to March, 1976, to the four companies.

Over the next two years Honeywell will conduct experiments with the boiler, the heliostats, and a unique heat storage system. The firm's findings will be incorporated in a design proposal to ERDA for a test power tower capable of generating enough electricity for a city of about 5,000 homes.

Honeywell said the effort might lead to operational testing, within five years, of a ten-megawatt electrical plant in the south-west U.S.

A major challenge in the power tower concept is to find a way to store high-heat energy for use by the generator during cloudy conditions or when the sun has set, bearing in mind that the temperature of the steam produced by the boiler will be about 850°F at a pressure of 950 psi.

It is planned to experiment with eutectic mixtures of salts as the heat-storage medium, an area where the Philips Research Laboratories in Eindhoven have made considerable progress. The cheap fluoride mixtures are so much more efficient as heat store materials than the substances at present used that storage heaters could be made one third the size they are now. They also function at higher temperatures.

In 1973 and 1974, Honeywell was awarded two successive contracts by NASA's Lewis Centre to deliver flat-plate solar energy collectors for heating and cooling residences and small buildings. Honeywell's design has shown collection efficiencies of more than 50 per cent. at 200°F, exceeding the programme design objectives. Four alternative flat-plate solar collectors, using aluminium and steel absorber plates, were fabricated and tested.

Early in 1975, NASA's Marshall Center awarded Honeywell a 12-month contract to design, build, test and deliver a low-cost flat-plate collector engineering model for residential heating and cooling applications. Included will be analyses and tests on absorber panels, coatings, covers, housings, interconnects and insulation.

Solar cells

In a completely different way of tapping sun power the Israeli Army has begun using solar energy instead of conventional batteries to drive communications equipment.

According to the latest issue of "Bahamane" the Israeli Defence Forces Weekly, the new units are composed of solar cells which produce electricity in hours of sunlight, and accumulators to store it for use at night or in cloudy conditions.

While the initial cost is high—£22 for the accumulator and £128 for the set of solar cells—the solution should be much cheaper in the long run since their life expectancy is five to ten years.

The dry cells now being used, which need continual replacement, cost between £4 and £9 per set.

CONTRACTS AND TENDERS

NOTICES

IN THE MATTER of THE COMPANIES ACTS, 1948 to 1967
and
IN THE MATTER of
LANE, FOX & COMPANY LIMITED
Registered Office and Business Address: 21/24 Chiswell Street, London EC1Y 4UB.

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a MEETING of the CREDITORS of the above-named Company will be held at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, on 30 July, 1975, at 11 a.m. for the purpose mentioned in Section 294 et seq of the said Act.

Dated this 14th day of July, 1975.
By Order of the Board.
A. J. A. HELME,
Director.

No. 002488
IN THE HIGH COURT OF JUSTICE
Chancery Division Companies Court
IN THE MATTER of ELIZABETHAN PROPERTY GROUP (HOTELS) LIMITED
and IN THE MATTER of
THE COMPANIES ACT, 1948

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 22nd day of July 1975, presented to the said Court by Imperial Tobacco (Imports) Limited whose registered office is at P.O. Box 18, North Way, Andover, in the County of Hants—Cigar Importers, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL on the 6th day of October 1975, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

TROWER STILL & KEELING,
5 New Square,
Lincoln's Inn,
London, W.C.2.
Agents for: C. R. JONES,
Bedminster, Bristol BS99 7JR.
Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 3rd day of October 1975.

PLANT & MACHINERY SALES

Description	Price	Telephone
1973 Wickman 1¼" Six Spindle and 1974 Bechler BR-20 Precision Bar Autos for disposal	P.O.A.	021-556 0904
1973 Newall SA Cylindrical Grinders—High Speed. 12" x 36" Angle Head, Plunge up to 10" wide with copy. Completely equipped	From £15,000	02092-4357
Rubber Processing Plant, Mixers, Mills, Calenders etc.	P.O.A.	061-339 2560
Bigwood 16" x 0.049". Cut to length and Forming Line	P.O.A.	0742-26311 Ext. 256 Telex 54119
B & W V.1000—Water Cooled 1000 cfm Air Compressor	£6,250 +VAT	as above
Ingersoll Rand XLE2 Water Cooled 1000 cfm Air Compressor	P.O.A.	as above
Hayes Tracemaster Model TMA/D 2 spindle Auto Die Sinker	£6,500 +VAT	as above
Nu-Way HG.300 Heater	£2,750	01-253 6000
Camco Europa 31/D Folding Machine with autofeed continuous load feeders and batch counter	P.O.A.	031 556 9151 Ext. 513
1973 Newall SA Cylindrical Grinders—High Speed 12" x 36" Angle Head, Plunge up to 10" wide with copy	From £15,000	Tel. 02092-4357
Continuous mixing plants by Gardner with pneumatic weigher by Darenth. Feed screw conveyors. Output up to 25 tonnes per hour. Console controlled by single operator New 1971	P.O.A.	06284-71555 Telex: 923969
Plastic or rubber Vickers Transfermix E150, new 1971, complete with 250 hp Thyristor drives (4 off)	£15,000 each	06284 71555 Telex: 923969
N.C. Flexowriters for Punching N.C. Programme Tapes—Rebuilt with 2 year Guarantee—Save up to 50%	Prices from £895-£1,350	Dudley (0384) 57453
Fork Lifts Fully Renewed, large selection, 6 months warranty	P.O.A.	01-572 3451
Wiedemann Turret Punch Press S.1528 GEC Century Control Unit 15 tons capacity 1971	£14,000 +VAT	01-606 7051 Ext. 8
Ravensburg Face Plate Lathe Model P20-BZ3	P.O.A.	061-339 3221

IF YOU HAVE PLANT AND MACHINERY SURPLUS TO YOUR REQUIREMENTS, AND WOULD LIKE TO ADVERTISE IN THIS COLUMN, PLEASE TELEPHONE MR. FRANCIS PHILLIPS ON 01-236 0108.

هكذا من الأصل

هكذا في الأصل

Building and Civil Engineering

Solar house project

SINCE THIS page first reported on the Loughborough/Pilkington solar house project last March, a good deal of instrumented testing of working models has been carried out and university and company scientists are now convinced that the design could cut central heating bills by as much as 80 per cent., which is far more than originally anticipated.

At Pilkington in particular, a $\frac{1}{4}$-scale model has been evaluated and it is calculated that a three-bedroom semi built on this principle would have its heating costs reduced from an annual £99 to as little as £20 and certainly no higher than £40.

As reported earlier, there is a project afoot to carry out a major practical evaluation of the design, based on the construction of nine new and five conventional bungalows for elderly couples on a Higher Bebington, Merseyside, site.

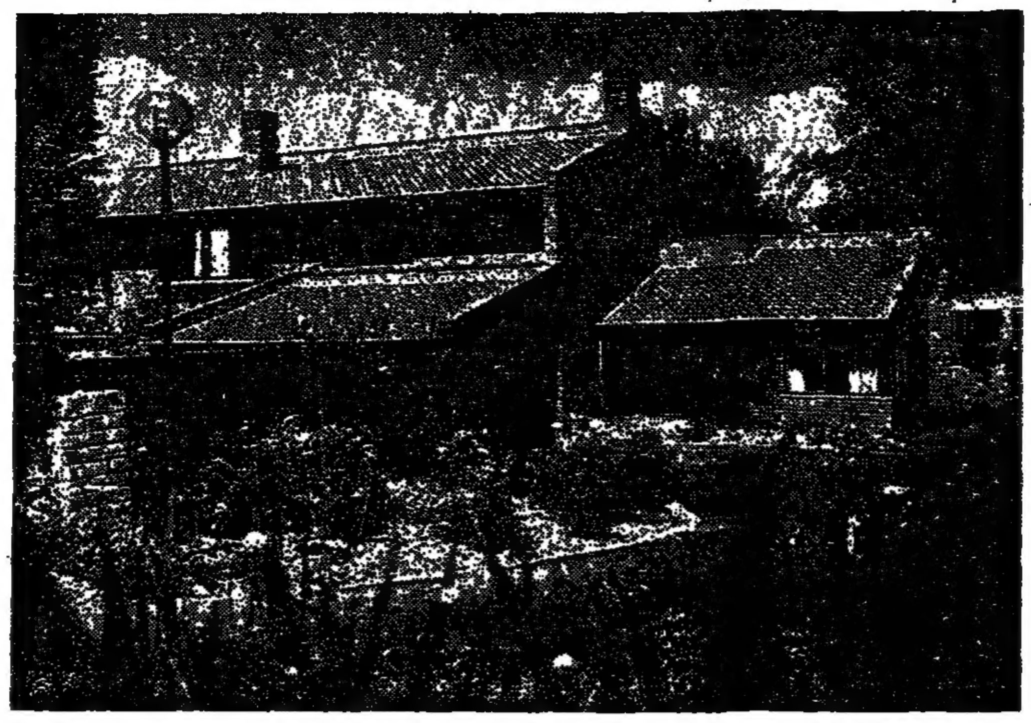
The Housing Corporation is expected to contribute some £140,000 to the scheme which was initiated by Pilkington and Loughborough University in conjunction with Merseyside Improved Houses. A start is expected in early autumn.

Construction will be in traditional cavity wall style with engineering brick used only on the solar wall which will be built with an outer doubled glazed skin to trap solar heat. Cavity walls will be filled during construction with Dritherm, a glass fibre material treated with a water repellent.

Sealed double glazing and a warm air heating system drawing its energy from the solar wall will be featured. Excess heat will be stored in roof spaces and overheating in summer will be prevented by natural convection.

One each of the solar and conventional houses will have a solar water heater panel in the roof and the company is at present evaluating a number of designs of such panels from the U.S., Japan and Australia against one of its own.

Pilkington has now given a tentative building cost figure on the basis of widespread adoption of the design by local authorities. It is around £8,500 averaged over, say, 1,000 housing units or more. It has to be remembered, however, that it is early days yet and that the 60 to 80 per cent. saving in house heating costs could well go hand in hand with commensurate savings in domestic hot water costs.



Seven awards and fifteen commendations have been made in the RIBA Architecture Awards for 1975, announced to-day.

Sir Hugh Casson, in his introduction to the report, writes: "Architecture is a long word which has too often made the art of building . . . into a professional mystery or . . . a popular target of abuse. It is important therefore that . . . the many good buildings that continue to be completed should not be overlooked."

Among these is the award winning scheme for a vicarage, parish hall and offices for the ecclesiastical authorities at Tring. The jury considered this to be a first class example of uniting new work with old, the existing vicarage built in 1828 in "Jacobean revival manner having been thoroughly restored at the same time as part of the scheme." The illustration shows the south view of the new vicarage, in brick and dark tiles. It was a complicated operation involving the finding of matching brickwork and adapting rendering and plasterwork to the older materials nearby

The principal organisations concerned were the architects, Melvin Lansley and Mark (project architect Peter Gibbons) and the main contractor Fred Harrowell and Sons.

H. A. N. BROCKMAN,
Architecture Correspondent

Bison Wall Frame in £2.6m. job

LONDON Borough of Ealing has placed a £2.6m. housing contract with Concrete (Southern) using the Bison Wall Frame System, which will be constructed in association with Peter Wilkins of Ascot.

Of the total contract figure, £800,000 is for the manufacture and erection of the Bison precast concrete components.

The Green Man Lane, Ealing, stage B development is to provide homes for 553 people and represents a further stage of a major housing scheme by the borough. Stage A completed in 1973, also by Bison, was for 134 dwellings.

This latest contract (stages B1 and B2) is for 174 dwellings and consists of one seven-storey and one eight-storey block with six flats per floor and 11 four-storey blocks of maisonettes. Garaging for cars will be provided beneath the podium deck at first floor level.

The total contract period has been set at 108 weeks while Concrete (Southern) expects to erect the precast concrete superstructure in 58 weeks. Work starts on site in September.

£4$\frac{3}{4}$m. award to Higgs and Hill

HIGGS AND HILL Building has been awarded a contract, valued at about £4$\frac{3}{4}$m. for the construction of 303 dwellings with garages and parking areas, for the City of Westminster, at St. Stephen's Gardens Site, Paddington, London.

The dwellings will be in seven blocks of from three to seven storeys in height and varying in size from a ten unit block to a 79 unit block. Generally they will be built with brick cross walls on strip foundations and will have reinforced concrete floors and roofs. The windows will mainly be of the aluminium vertical or horizontal sliding wash type with timber surrounds.

Architects are J. M. Hirsh and A. Selman.

Fairweather wins two contracts

TWO CONTRACTS, totalling over £1.8m., have been awarded by the Department of the Environment's Property Services Agency to H. Fairweather and Co. of the Wood Hall Building Group.

One worth £1.3m. is for the construction of laboratories and offices at the Fire Research Station at Boreham Wood, Herts. The project calls for a three-storey block with a lift and staircase link to adjoining plant rooms and boiler house, plus the construction of two two-storey blocks. Reinforced concrete frames with brick facing will be used.

The second contract valued at £465,000, is for a cooling water facility at the Military Vehicle Engineering Establishment at Chertsey, Surrey, and is an extension to a £2m. contract there on which Fairweather is already engaged.

£3$\frac{1}{2}$m. award to Marriott

TO-DAY, Robert Marriott, a member of the French-Kier Group, is to start work on a £3$\frac{1}{2}$m. housing contract for Northampton Borough Council.

The contract is for 387 dwellings made up of houses, bungalows and flats. Traditional brickwork is to be used.

£$\frac{1}{2}$m. order for Bowey

CONTRACTS worth over £580,000 have been awarded to the Bowey Group.

Ralph Bowey and Son, the main building company, has won an order for two advance factories on the Tynemouth Industrial Estate, West Chirton North under a £280,000 contract from English Industrial Estates Corporation. This company is also to start work soon on a new school at North Shields costing £108,000 for North Tyneside Metropolitan Borough.

New work for William T. Wallace and Son, the group civil engineering company, includes a £32,500 roadworks project for the National Coal Board at Vane Tempest Colliery, County Durham, while Greener Engineering Services, another subsidiary, has won a mechanical engineering services contract worth about £32,000 for work at Chillingham Road School, Newcastle.

Further contracts totalling about £78,131 have been won by subsidiary companies Gosforth Joinery Works, Gosforth Painters, Internal Building Services and J. Ward (Electrical).

Telephone exchange extension

A £373,676 contract for an extension to Ascot telephone exchange at Sunninghill, Berks., had been awarded by Property Services Agency to Y. J. Lovell (London).

The extension will consist of a two-storey and basement wing, a two-storey wing with open ground floor, and alterations to the existing building at ground and first-floor levels. A reinforced concrete frame will be used with brick infill panels and metal-framed glazing.

IN BRIEF

- Two contracts, worth a total of £3m., for work in Glastonbury, Somerset, and Pontllanfraith, South Wales, have been won by Nott Brodie and Co. At Glastonbury, the sewage treatment works is to be extended at a cost of £1$\frac{1}{2}$m. Also costing £1$\frac{1}{2}$m. is a contract for 148 homes at Pontllanfraith for Islwyn Borough Council.
- The 50th year of precision measurement of movements in the structure of St. Paul's Cathedral is being commemorated this week by a small exhibition in the North Transept, of the instruments and equipment used, and the record drawings prepared during this period. Freeman Fox and Partners have been in charge of carrying out the survey work since 1935 and members of the staff will be on duty during the exhibition.
- R. J. P. Nicklin and Co. is to run two courses on the "Quality Assurance of the Protective Treatment of Marine Structures." The first will be held in London from September 22 to 24 and the second from October 14 to 17, in Amsterdam. Details can be obtained from Nicklin at 305 Glossop Road, Sheffield S10 2HL.
- A £500,000 contract to build 70,000 sq. ft. of warehouses with offices has been awarded to John Laing Construction, Midlands Region, by Grosvenor Estate Commercial Development.

Civic centre for Boot

A £8.7m. contract for a civic centre for Oldham MBC has been awarded to Henry Boot. The contract is for phase 2 of the complex at the junction of West Street and Cheapside, Oldham.

A tower block is to be built attached to the existing office block, containing a public hall with 10 storeys of offices over. At the other end of the existing office block there will be three storeys of offices with underground car parking. This building will also contain a council chamber and civic reception area.

Architects are Cecil Howitt and Partners, Nottingham. Consultant structural engineers are Andrews, Kent and Stone, Croydon. Work is scheduled for completion in February 1978.

£5m. Derek Crouch jobs

RECENT contracts worth over £5m. have been won by the Derek Crouch Group.

Three of the contracts take the lion's share and are for schools costing £4,835,000 in Scotland. Two more contracts are for an advance factory at Gateshead (Tyne and Wear) and a public library at Bolsover (Derbyshire).

The schools will be built at Cambuslang, Lanarkshire (£1,715,000), Lerwick in the Shetlands (£1,695,500) and Wishaw, Lanarkshire (£1,270,000).

The Shetlands job will call for special arrangements since a skilled construction workforce (varying between 50 and 70 men) will have to be airlifted to Lerwick, because there is insufficient labour on the islands. A hostel is being built near the site to accommodate the men and will be used for visiting executives during the two years it will take to complete the three-storey teaching blocks and other work for the new Anderson High School.

It will be a CLASP Mark V construction project. Cambuslang too will be CLASP Mark V.

The Bolsover library (£133,500) is for Derbyshire County Counucil. It is in a National Trust area, and will be a two-storey building of traditional construction with a stone external facing to blend in with the surroundings.

The factory (£210,000) will be on the Team Valley Industrial Estate and the contract calls for the construction of a 23,500 square feet (7,167.5 square metres) main building with 2,500 square feet (762.5 square metres) of offices and an ancillary block covering 1,300 square feet (396.5 square metres).

More work in town centres

CONTRACTS valued at over £400,000 have been awarded to Sir Robert McAlpine and Sons for additional work at two of the multi-million pound town centre contracts it is currently undertaking.

One contract, at Maidstone, Kent, calls for the specialised finishings required by the Hastings and Thanet Building Society in its new shopping precinct premises, while at King Street, Hammersmith, scene of West London's largest commercial development now in course of construction, footbridges and large car-parking areas are to be built at a cost of about £300,000.

Engineered buildings

A NEW distribution complex for Schering Chemicals, a major European pharmaceutical manufacturer, is being built by Cignet Group Contractors, using an advanced method of construction for which Cignet holds a franchise.

One of the reasons Cignet won this contract was the use of the Butler Buildings System, which it says, is probably the most advanced range of pre-engineered metal buildings available anywhere in the world.

The Schering building will be the first completed on the new extension to the Victoria Road Industrial Estate at Burgess Hill, Sussex.

Tribute to designers

THE EUROPEAN Convention for Constructional Steelwork (ECCS) has acknowledged the Bosporus Bridge as a steel structure "outstanding in efficiency, economy and aesthetics." It will receive an award under the Convention's 1975 awards scheme.

The award is a tribute to the work of the bridge's designers, Freeman Fox and Partners, and of the builders, the Anglo-German Bosporus Bridge Consortium of Cleveland Bridge Engineering Co. and Hochtief AG. It will be presented in October during ECCS's annual meeting at Torremolinos.

Display pool for dolphins and whales

A DOLPHINARIUM is being built in Durban by Cementation (Africa Contracts) (Pty.).

The contract, scheduled for completion by next February is worth £350,000.

Cementation is carrying out all the building and civil engineering involved, which includes dewatering, as part of the premises are below sea-level. In its final form the dolphinarium will have six pools, including a main display pool and whale and dolphin holding pens with a total water volume of 3,684 cubic metres.

Initially the dolphinarium will house seven dolphins and one whale. In addition other forms of acquatic life will be displayed in auxiliary pools in the landscaped grounds opposite the existing aquarium.

This is the second South African dolphinarium to be built by Cementation in recent years, the other being at Port Elizabeth.

Oil terminal in Peru

THE EXPORT Credits Guarantee Department has guaranteed a loan of £5.3m. which J. Henry Schroder Wagg and Co., acting on behalf of National Westminster Bank, has made available to Petroleos del Peru.

The loan will help finance a contract for the design and construction of a loading jetty with associated mechanical and electrical instllation awarded to George Wimpey. The jetty will form part of a marine terminal to be constructed at Bayovar and will be capable of taking tankers of up to 250,000 tons.

The terminal, scheduled for completion by the middle of 1976, is being built to receive oil from the Amazon Basin. The oil will be pumped through a trans-Andean pipeline to the northern coast of Peru.

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MONDAY, JULY 28, 1975

The duties of owners

THE institutional investors have been criticised, often rightly, for their passive attitude towards the companies in which they invest. External pressures, however, are now becoming so strong that they may be stirred into action. They face a Government which is determined to extend the public sector; some Ministers believe that the institutions have failed in their basic job of channelling the savings of the public into industrial investment and should be subjected to greater Government direction. The Bank of England is once again investigating how to improve the relationship between the City and industry. Whether the re-appraisal now in progress will have any practical results remains to be seen, but fear of what might happen if no action is taken will be a powerful spur.

Supervision

The issues were clearly stated last week by Mr. Deryk Weyer, senior general manager of Barclays Bank. On the one hand the institutions argued that as trustees for small savers they must maintain the safety and liquidity of their funds, have a high degree of marketable securities in their portfolio and sell them when safety is involved. The counter-argument is, first, that, since the days when business ownership was divorced from management, there has been no real supervision of the executives running large companies and there ought to be. Second, a great industrial company contains such an investment in people's lives and skills that its capital cannot simply be treated as a marketable security and allowed to fail for want of support in times of cyclical difficulty. "If this view is taken," said Mr. Weyer, "it is not acceptable for those who own the shares simply to vote with their feet by selling them at the least sign of trouble."

If the institutions expect to enjoy the rights of owners, they cannot evade the responsibilities. These include the task of monitoring the performance of the executives running the company and of removing them if their performance is inadequate. This does not require the institutions to become experts in industrial management or to approve major corporate decisions; it does not even require extensive access to inside information—an issue which is sometimes used in defence of the institutions' traditional policies. They have to assess, on the basis of financial results, whether the executives, and the chief executive in particular, are doing a good job or a bad one.

If the owners do not carry out this function, no one else will. There are instances of non-executive directors playing a useful role but too often they appear to have neither the power nor the will to take effective action. The institutions cannot necessarily prevent situations like Alfred Herbert, but they can at least try to stop the rot before it is too late.

It is true that the institutions' primary duty is to their own depositors and that they must be free to transfer their funds from one company to another. The capital market can hardly function unless funds are mobile and attracted to investments which offer the highest return. There is no obligation on institutions to keep alive all those companies in which they happen to hold shares, still less to let the "national interest," or, rather the short-term political needs of the Government of the day, override commercial criteria. But like directors of companies, investment managers in institutions have to take account of several potentially conflicting interests—those of their depositors, the recipients of their funds, and the mixed economy itself.

Constructive

This may mean supporting a company through difficult times if they believe its business and management to be basically sound. It may mean more interventions to replace bad management. Above all, at a time when power is in any case tending to shift from shareholders to employees, institutions have to demonstrate that their role in the system is a positive and constructive one. If they fail to do so, the rights of shareholders are likely to be eroded still further.

America's two foreign policies

THE U.S. Congress may be unable to make up its mind on most domestic issues, but it is having a fair shot at undermining President Ford's foreign policy. There have been two more examples in the past few days: the refusal to lift the embargo on U.S. arms deliveries to Turkey and the effective blocking of the sale of an air defence system to Jordan. In both cases Congress may have acted with the best of intentions—intentions indeed not dissimilar from those of President Ford—but in a manner likely to achieve the opposite of what was intended. It is also possible that such Congressional naivete could have effects much further afield.

Cyprus

The purpose of the Turkish arms embargo ever since it was imposed, against the strong advice of Dr. Kissinger, earlier this year was to put pressure on Turkey to make concessions in Cyprus. It has not had this effect and it is unlikely to have it now. On the contrary, the attitude of the Turkish Government has hardened and it has found ready support from public opinion. The lesson is very simple: it is counter-productive to exert public pressure on a foreign Government unless there is some means of backing it up. The U.S. had no such means. Indeed, as it turned out, it was the Turks who had the greater room for manoeuvre. By acting against the U.S. bases on their territory they have landed the U.S. with a new problem without advancing the Cyprus situation one jot.

It is much the same with Congressional opposition to the arms sale to Jordan. The Administration wanted to sell the Jordanians 14 batteries of Hawk anti-aircraft missiles—a defensive system which Jordan did not have. As such, there was no reason to believe it would increase the Arab capability for aggression against Israel. It was also natural that, as a long-standing ally, King Hussein should have turned to the U.S. for the weapons. Members of both the House and the Senate have reacted with the typically woolly proposal that the number of batteries should be cut to six. Six batteries will not make an effective system, so the most likely result is that King Hussein will have to look elsewhere.

Of course, in neither case is this the end of the story. Turkey is not going to walk out of NATO and join the Warsaw Pact, though the trend towards Turkish non-alignment may be accelerated. There is also the possibility of negotiations on the bases which could lead to U.S. activities—mainly in the monitoring field—being resumed. But even the temporary break is regrettable and cannot have been the response intended by Congress.

Resilient

In Jordan King Hussein has shown himself extraordinarily resilient over the years to rebuffs of all kinds, and it is not yet certain that he will now turn to the Soviet Union for arms. Yet he could be forgiven for regarding the Congressional attitude as a deliberate rejection of his pro-Western policies. It has also come at such a delicate time that there will be others in the Middle East who will be watching the outcome very closely. President Sadat, for example, has adopted the same pro-Western stance as King Hussein in his search for a Middle East settlement: indeed he has followed the King almost word for word in accepting that there can be no settlement at all except through Washington. His opponents, however, have now been presented with evidence for the argument that the U.S. cannot be relied on. Once again, Congress will have to ask itself if this was what it really intended. If it was, then Congressional foreign policy is running directly counter to that of the President.

How Fodens came to have no truck with the State

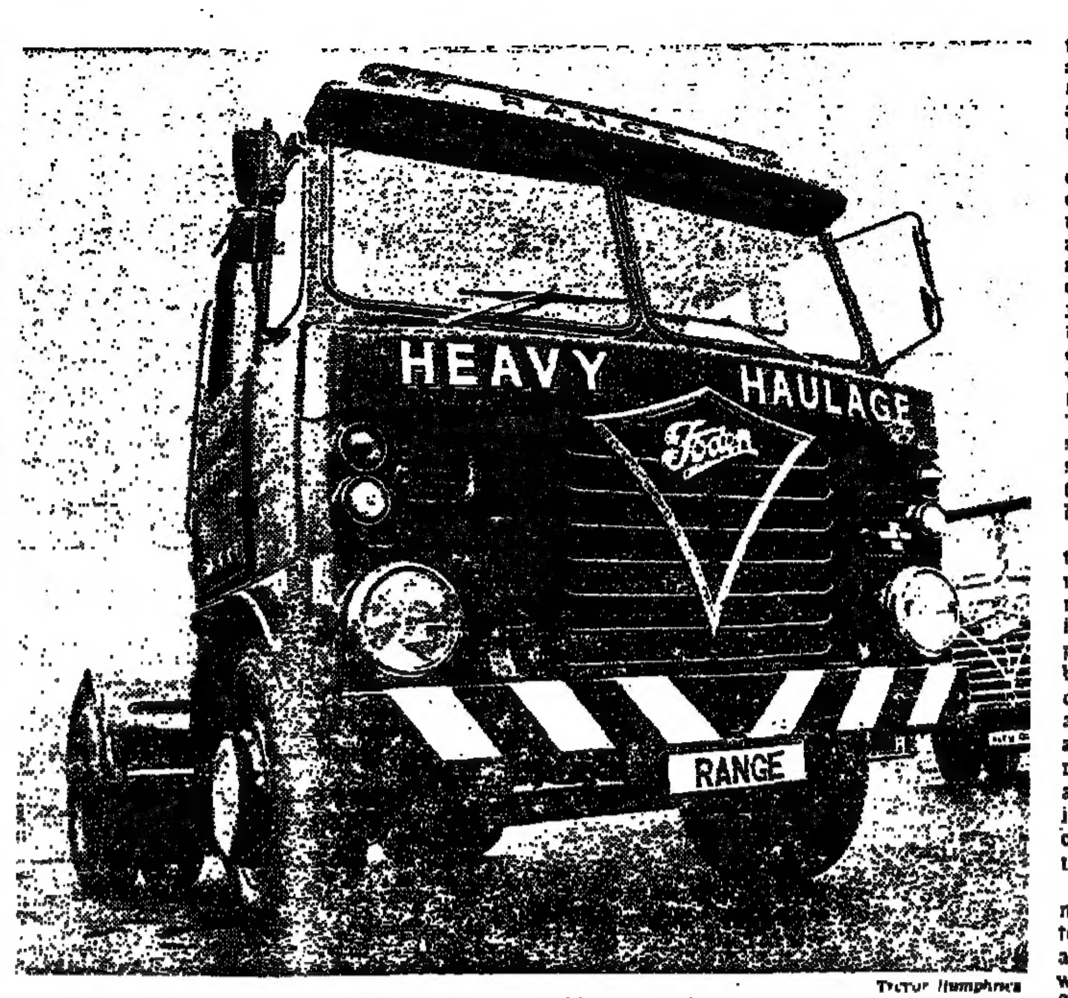
By TERRY DODSWORTH, Motor Industry Correspondent

IN THE heady, interventionist days of the Department of Industry, only a year or so ago, the Government used to insist that the price of financial help to the lame ducks of the private sector would be at least a significant stake in the equity. Yet when the opportunity to take such a holding came along at Fodens — and the Government was in a position to take at least a 40 per cent. interest—it passed the rescue back to the City. How did this reversal come about?

The story began last Christmas when the Cheshire-based Fodens, one of the smaller and more specialised British truck producers, found that the National Westminster would no longer allow it to increase its overdraft. By that time the company was in a severe cash crisis: it had been looking desperately for alternative sources of funds for some time, even attempting to tap the Arab market several months before it became fashionable to do so. These investigations made it painfully clear that the only alternative to collapse was Government aid.

"Money at this time is almost impossible to get, and the British engineering industry, particularly the automotive industry, is not in high favour," Fodens' chairman, Mr. Bill Foden, told a House of Commons sub-committee in February.

Mr. Foden is a blunt northerner with a cast iron faith in the integrity of manufacturing industry. It was clear from his attitude at that meeting that he thought the City had let the company down: perhaps, too, there was an implied criticism of NatWest, whose unhappy involvement in the property sector was then becoming known. At any rate he argued that the company was a basically sound operation which had been caught in a mounting series of mishaps—the oil crisis, the three-day week, and a slumping market. With the Government willing to put up £2m. overdraft guarantees, he was happy to have its assistance, he said, and would not object to a Government nominee on the Board.



Trevor Humphries

A Foden 45-ton machinery carrier.

Facilities not fully used

The crux of Fodens' case is that the company had done exactly what all governments want manufacturing industry to do: it had invested heavily in an industry which for some time had shown signs of under investment. Unfortunately, by the time the company's new £5m. plant, designed to propel it from about 2,000 vehicles a year to 6,000, and from jobbing to volume production methods, was coming on stream, the market for heavy trucks had gone dead. Fodens was caught with hefty payments on an under-used facility. To-day it is producing at the rate of 40 a week against a potential of 120.

The Government appeared to agree with the Fodens analysis, but commissioned an accountant's report. Then, after the report was finished in April, a lengthy silence developed in Whitehall, although the Government was still apparently taking a tough line on its role behind the scenes. By May, according to County Bank, Fodens' merchant bankers, the Government was prepared to envisage the company returning to the private sector for rescue.

It is by no means clear why there was this shift of thinking at the DoI, still at that time under the sway of Mr. Anthony Wedgwood Benn. It could be that Fodens was seen as an annoying distraction, alongside the larger question of British Leyland: certainly the motor industry section of the DoI, understaffed and heavily involved in the British Leyland and NVT situations, had plenty on its plate. Within the next fortnight the promised decision on the future of NVT will probably show if the Fodens decision really heralds a shift away from the Government's enthusiasm for intervention.

Where circumstances had clearly changed was in the City. Suddenly rights issues had become feasible again, and County Bank had sensed that it might just be possible to put one together for Fodens. Ironically, a company which has had little time for the short-term thinking of the City was about to be rescued by one of the City's changes of mood.

County Bank, NatWest's merchant banking subsidiary, then came to the fore. In the manner of corporate finance groups linked to other banking organisations, it insists that it acted entirely independently. The result of its action, however (bringing together 25 institutional investors to underwrite a £3.1m. rights issue), is to recover a situation which many thought NatWest had precipitated in the first place. Asked at a Press Conference on Friday whether he thought the clearing bank had "pulled the plug out" too quickly on Fodens, Mr. John Impey, a County Bank director, contented himself with the observation, "How can I judge my superiors?"

FODENS TRACK RECORD

	Vehicles produced	Pre-tax profits £
1968	1,253	886,000
1969	1,119	716,000
1970	1,433	1,084,000
1971	1,498	1,295,000
1972	1,208	641,000
1973	1,705	1,144,000
1974	1,956	231,000
1975	N/A	946,000

According to Mr. Impey, County Bank, which has recently been recruiting hard and is anxious to make a name for itself, did not have an easy job putting together the package. This is significant in view of the intriguing timing of the rescue, which was mounted against a background of intense debate in the City about its stance towards manufacturing industry and towards "rescue" situations. The concurrence of that debate and the Fodens rescue seems to have been largely coincidental: as far as one can see there was no orchestrated institutional plan to pluck Fodens back from the public sector.

Indeed, some institutions among the 25 which have stumped up the cash have been anxious to point to the hard commercial judgment behind their investment, and two of Fodens' 14 large institutional investors refused to join the consortium. County Bank had to go outside for 13 more, and count itself in for a "substantial" slice of the rights.

What is more, says Mr. Impey, there was one day last week when the whole package seemed to be falling apart. At that point, he believes, there may have been some discreet pressure from influential quarters in the City to push the deal along, but only then. Basically, the bank had to put together an offer that appealed on commercial grounds alone.

What the institutions have obtained for their money is considerable. There will be management changes, including a new non-executive chairman, and a finance director; they get convertible Preference stock yielding 10 per cent. net after tax; and they could get 60 per cent. of the company after conversion. In addition there is the promise of future profits. "Fodens is unlike most of those seeking assistance in that it is seen to be a viable and potentially profitable company," says Mr. Impey.

So where is the risk which two of the present institutional investors and several outsiders refused to take on? First there is a big question mark at present hanging over the truck business in general. Mr. Foden calculates that world markets are down by about 30 per cent., and that they may take 18 months to recover: he has advised shareholders to come in on the present rights issue only if they can afford to look to the long term.

Second, Fodens is suffering more than many of its competitors. It is currently trading at a loss, and sales in the U.K. were down to 457 in the first five months of this year against 686 last year. The company believes that uncertainty about its future has been the crippling factor, but admits that overseas business (80 per cent. up in value terms last year) will be increasingly difficult to capture over the next year.

Present-day role

Third, there is the more general issue of whether small specialist manufacturers have a role in present-day truck production. Until 10 years ago truck buyers were extremely parochial in their tastes. Quality manufacturers like Fodens made virtually every component in-house, a system which built up tremendous customer loyalty. But this also meant relatively high-cost manufacturing and made the company more vulnerable to trade depressions: in hard times a company which concentrates on assembly can cut back costs more rapidly by stopping supplies.

The specialist approach to manufacturing is now breaking down all over Europe. Hand in hand with that, the industry has been rationalised into much larger groupings, led by Mercedes, with a capacity of 160,000 trucks a year of over 3½ tons; Fiat, which includes the French Unic and Germany's Magirus Deutz; British Leyland, Ford and Bedford. Along with ERF, Fodens is one of the two small British independents to remain.

Fodens' response to the challenge has been its new £5m. plant, designed to take it in one leap into volume manufacturing from bought-in components, while at the same time retaining a specialist cache by being able to put together "unique" orders on the same production line.

Construction vehicles

The company's strength lies in its concentration on construction vehicles, where quality production (when times are good) pays off, and in heavy fleet vehicles, both rigid and articulated, which is unquestionably a growth market in the long term—vehicle fleets are progressively getting heavier to realise the benefit of scale. The company also has old ties with the Middle East, where trade has been buoyant, and where there may be opportunities to extend production. In addition, the Army has been a good customer down the years, but particularly so at the moment.

County Bank's bold rescue bid, however, depends on Fodens' ability to fight competitors with strong financial backing in a market with plenty of new capacity coming on stream. To take the U.K. alone, Ford, Bedford (the General Motors' subsidiary), and Seddon Atkinson have all invested a lot of money in heavy truck production in the last year. British Leyland is to get some £350m. under the Ryder Report proposals, and in Europe Mercedes and Fiat continue to expand. Even smaller companies like Volvo, Scania and Daf have already developed strong distribution networks—witness their rapid incursion into the British market.

True, Fodens has a tiny capacity (6,000 a year when it is fully on stream) in comparison with most, can break even at about 65 per cent. of capacity, and even on its new production line will make a "premium" truck. But can it compete against the powerful networks built up by the Continental manufacturers and the British-based subsidiaries of Ford and General Motors?

County Bank thinks it can. "I believe that the operation creates a precedent in financial circles and that it must be viewed as a vindication of co-ordinated private enterprise," said Mr. Impey on Friday. The judgment of Fodens' shareholders in general is due after the extraordinary general meeting next month, when they vote to approve the rights issue: it will be interesting then to see how much of the issue is left with the underwriters.

MEN AND MATTERS

Sette's watching brief at ENI

As Britain's nationalised industries face up to their growing problems, Italy's are already part way through some drastic changes. The parallels cannot be close though, for the Italians have started in un-British manner with blood-letting among the top management. This precedes any conclusions from a review of the whole role of the State companies, but the sackings offer some clues, particularly in the takeover at ENI, the State oil and chemical corporation, by Pietro Sette.

The appointment is seen as an interim post, tiding ENI over until great reforms at the end of the year change the sprawling State enterprise structure and try to revive the original entrepreneurial efficiency that has lately become conditioned by political infiltration. But Sette is now a key man, a friend of Prime Minister Aldo Moro and like him from Apulia.

He moved into the big league of Italian public enterprise in 1962 when he set up EFIM with the brief of backing industrial growth in the South. Under tax lawyer Sette this has grown to a collection of 100 companies in industries ranging from helicopters to glass, and tourist complexes to food processing.

Sette has insisted on keeping control at his EFIM base as well as taking on from deposed chairman Raffaele Girotti at ENI. Girotti had become hopelessly entangled in the political intrigue which surrounded the struggle for control of Montedison. This struggle is said to have included secret purchases of Montedison shares at the personal bidding of the then Prime Minister Giulio Andreotti, unauthorised contributions to political parties and friendly newspapers and all the other bundles of fun which are the stock-in-trade of Italian politico-economic intrigue.

Not only was Girotti too slow-footed to survive the political quicksands, but he faced an open revolt from the heads of ENI's operating divisions, fearful that they, and ENI itself, will be downgraded. Girotti's departure must now be bracketed with that of Mario Einaudi from EGAM, the State minerals agency, deposed when he had overstepped his mandate to the extent of buying up a Genoa shipping, insurance and newspaper group.

This sort of extension of nominally State - controlled bodies into the fiefs of individual political factions is one thing that has caused even the Communist Party to change its views on the value of State industries. Among the Christian Democrats, the present shake ups represent the passing of power over the economic sphere from some of the party's historic leaders.

The changes are being headed by Prime Minister Moro and State shareholdings Minister Antonio Bisaglia, two of the men who come out well from the ten days of in-fighting which have dominated the Christian Democrats' national council. Bisaglia has set himself up as a defender of efficient administration at a time when honest Government is a key political issue. But restructuring the State-owned sector of Italian industry would prove a job to keep a dozen Lord Ryders busy.

Stuck

At least we are safe from Masai invasion. An American, Peter Goltra, has just arrived in London from an East African holiday with a souvenir in the form of a seven-foot spear. He has found the going tough.

No taxi at Victoria Station would take him and his booty. So he went down into the Underground hoping for better treatment. Here he was refused entry "because there were too many other travellers around at the time."

A little desperate, he returned to street level to try his luck with the buses. Three refused to take him. The fourth had a pitying conductor who finally let him on.

So far, so good. But now he's got to get the spear out and back to America.

Chains and roundabouts

Is this the moment to be producing working replicas of 104-year-old, chain-drive traction engines at a price of around £17,500? David Bretton is not sure yet, but he had the prototype entertaining crowds at the King's Lynn Festival at the week-end and has hopes of a production run of 15.

While admitting to being a steam fanatic, and a man who restores Model T Fords for fun, Bretton is not an amateur dabbler in recreating the industrial past. He owns and runs Belmec International, of King's Lynn, a company specialising in difficult one-off jobs in the mechanical engineering field.

This includes making bits of crane platforms, chemical condensers, bacon packers and biscuit machines for some big-name companies, even parts of the Harrier jump-jet engine cradles, not to mention the whole of the one and only hydraulic transmission diesel-engined lavender harvester (lavender is a commercial crop in Norfolk).

Bretton's contract to build the traction engine prototype came from William McAlpine who is likewise, in private life, a steam buff—he rescued the Flying Scot from a California breakers yard—but whose business role is as the Sir Robert McAlpine and Sons director responsible for the concrete gravity structures it builds for North Sea platforms. When the Savage engineering company of Kings Lynn was closing down, McAlpine bought the archives, with all plans of the Savage machines.

This was a valuable purchase for any enthusiast, since Frederick Savage was a Victorian engineer who was a pioneer of mechanised farming and when that side of the business dwindled, the company established similar prominence in fairground machinery. Bretton knew the home-town Savage business, contacted McAlpine, and suggested they could put the old plans to work.

The plan is to set up a joint company to make and sell Savage models, the first one Belmec has made is being designed to drive threshing drums. An order for a second replica is, Bretton says, at the "provisional" stage, and construction has begun. If the price sounds daunting, remember a traction engine was sold for £30,000 recently, and figures above £10,000 are becoming common.

No money will be made unless the production run can be much extended, but Bretton thinks there could also be a future in developing the old fairground pieces. Savage had a fine line in carousels—known as "gallopers" in the trade. The fairground operators now selling some of these to the U.S. are not men to reveal exact sums, but it is thought a good roundabout is now worth comfortably into five figures.

What riches

Not perhaps as glamorous as owning our bit of wonder horse Grundy, but the sporting tax-payer can be heartened by learning, if he reads the British Steel Corporation's annual report carefully, that he also has a 50 per cent. stake in Corby Town Football Club.

Observer

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FINANCIAL TIMES SURVEY

Monday July 28 1975

IRAN

Determined to become a regional superpower and a self-sufficient industrialised country before its oil runs out, Iran is rushing headlong into the 21st century. It is committed to spending a maximum amount of its revenue on development. But it must beware of trying to do too much too fast.

Human limits to growth

ON A seemingly limitless tide of oil revenue Iran has begun to lurch forward fast to the 21st century by when, without the reassuring buoyancy provided by petroleum revenue, it must achieve sufficient momentum to consolidate its position and sustain new growth. The quintupling of oil prices in 1973-4 has given this country — the most significant of the Middle East producers in terms of population, history and nationhood—a unique opportunity to join at some stage the league of fully industrialised states on a permanent basis and establish that "Great Civilisation" which it is the Shah's ambition to create.

As a patriotic visionary, he has more problematically laid down the objective of turning Iran into the 5th most powerful nation in the world by 1990. While that aim may be more inspiring than realistic this monarchical State does have a wealth and a potential which have already singled it out as the dominant force in the region and one of the most advanced countries in the developing world.

This alone explains and justifies the attention paid to the Shah internationally quite apart from his vital position in the Organisation of Petroleum Exporting Countries.

Courted by the world's leaders, the Iranian Monarch must sometimes reflect upon the changes in his fortunes. Nearly three-and-a-half decades ago as a young and diffident Crown Prince he experienced the pain and indignity of seeing his father Reza Shah packed off into exile and his country occupied by the British and the Russians.

Good feelings

This is one historical reason why the Shah is amassing sophisticated weaponry at a rate which, if continued would without doubt make Iran the 5th biggest power in the world by 1990 by that criterion alone. Now in the mid-1970s he is under no illusions that in the long run the Soviet Union does not have any basic good feeling towards anti-Marxist regimes such as the Iranian Monarchy, nothwithstanding the fact that it is prepared to supply its latest troop carriers and heavy artillery in return for the gas piped from the Khuzestan oil fields.

That most recent order showed that the Shah does not wish Iran to be seen as a "military client" of the U.S., but it is inevitable that the West should see his regime as a protective bulwark of its vital oil supplies. The other basic justification for his military build-up is to protect primarily Iran's own "jugular vein."

From the geo-political point of view, there was logic in the strategy of extending that commitment to the Indian Ocean where it is difficult to argue with the Shah's assertion that "we have more rights than many non-riparian States." Iran's active participation in Sultan of Oman's struggle against the Marxist insurgents in Dhofar falls within the same context, but is a more sensitive issue. Much more so would be a military intervention on the other side of the Persian Gulf to save the United Arab Emirates—at present only a theoretical and unlikely possibility. The Oman involvement has in no way checked the Shah's growing rapport with the Arabs. This was symbolised by his State visit to Cairo earlier this year and has been based on the pronounced shift in Iranian support for them in the confrontation with Israel.

It is the magnitude of Iran's bristling armaments which has led some to the belief that the Shah's policy, by aggravating Arab suspicions and intensifying the flow of weapons to neighbouring Iraq, could be an actual cause of instability. On this front, however, the signing of the agreement in March with the Ba'athist regime on solving all outstanding differences between the two countries should be seen as the most positive development in the region in the three years since British withdrawal from the Persian Gulf created an uncertain vacuum there.

Median

The accord was smoothly and quickly implemented giving Iran the median line which it wanted in the Shatt al-Arab waterway, Iraq an end to the costly conflict with its Kurdish minority, and both of them a settled land frontier.

With its awesome-looking force of Phantom F-4 fighter-bombers, Chieftain tanks, and missile destroyers Iran is presenting the image of the kind which the Shah wants and needs both at home and abroad. Regardless of its justification, however, the array of sophisticated weapons procured or on order does raise questions about Iran's drive towards a self-generating growth and highlights problems of its economic development.

The military is one large sector making demands on limited professional and technical skills—and with the salary rates being paid competing very successfully on the financial side projected defence expenditure during the current 1973-1978 Fifth Plan period has been set at $29.9bn., compared with a total of about $40bn. for State development credits. Almost inevitably the bill will grow proportionately in future years.

Because of manpower shortages, infrastructure bottlenecks and the need for a slow-down because of rampant inflation, it now seems clear that Iran will not be able to fulfil all its immediate development targets by 1978. Taking a longer-term view, Iran needs every cent that it can obtain if it is to meet the challenge of achieving economic viability as an advanced nation independent of petroleum exports by the end of the century. This appreciation accounted for the size of the enormous OPEC oil price increase virtually decided by the Shah himself in December 1973 and will guarantee that in future he will insist on per barrel revenues keeping pace with world inflation rates.

Specifically, there is the need to develop as fast as possible export industries able to maximise the comparative advantage deriving from abundant reserves of gas and mineral resources. Already Iran has built up a wide, variegated industrial base and the concentration on petrochemicals, steel, copper and aluminium will increase its dimensions vastly. Unlike Saudi Arabia the country has a big artisan tradition and aptitude for industrial work.

Iran has enjoyed a growth record which is the envy of the developing world with average per capita income doubling during the 1968-73 Fourth Plan period and rising by another 60 per cent. or so in the past few years to reach nearly $1,350. But in the rural areas, where the majority live, there exists a population, with a high rate of illiteracy and a low income, as yet not capable of providing the kind of domestic base required if Iranian industry is to become an international force. Meanwhile, agricultural production has lagged behind to the extent that Iran, which cannot ever hope to be self-sufficient in foodstuffs, is very far from realising its optimum performance.

Now more fully appreciative of the economic and social imbalances within the country, the Government is attacking these problems, not the least by a sensible policy of administrative decentralisation. A modest start has been made towards creating a welfare State with such decrees as those extending free primary education to the 8th grade and another providing free public health care. But these imperial fiats can only be as effective as the availability of teachers and health workers in the rural areas, a shortcoming only partially met by the admirably conceived student Education and Health Corps.

Manpower

In itself the 5th Plan's estimate of a total shortfall in manpower of 700,000 during its course of implementation is an indication of how far fulfilment of ambitions will stretch human resources in the coming years. For a country committed to economic advance on such a wide, sophisticated front, the lack of professional and technical skills will be a far more limiting factor than money.

On the political front, the Shah is faced with the challenge of mobilising the people in more whole-hearted and enthusiastic support for the Government and its policies than has been apparent hitherto. This is the aim of the new sole Rastakhiz ("National Resurgence") Party which is to be the vehicle for more effective participation in the Shah and People's Revolution, as the White Revolution has been renamed. The sudden announcement of its formation spelt the end of the old moribund two-party system in which the Majlis (Lower House) duly ratified legislation but did little or nothing to influence its content.

As an effectively absolute Monarch sincerely believing in the mystic union between himself and his people, the Shah has consistently—and perhaps paradoxically—called for constructive debate and positive criticism. With anything more not tolerated and the difficulties of drawing the line, Iranians have been too inhibited to give

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BASIC STATISTICS

Area:	628,000 sq. miles
Population:	31.96m. (1974 est.)
GNP (1974):	$44bn. (est.)
GNP per capita:	$1,344 (est.)
TRADE (1974):	
Imports:	$6.02bn.*
Exports—petroleum:	$23.3bn.*
—other:	$700m.*
Imports from U.K.:	£278.6m.
Exports to U.K.:	£513.3m.
CURRENCY:	£1 = 144 rials

*As recorded by IMF

The economy has gone through 18 months of very high growth and spending and is now starting to show the strain. The standard of living of most Iranians has undoubtedly improved substantially but inflation is becoming a problem, a massive import bill has pared down the payments surplus and the authorities are having to apply the brakes — albeit very gently.

Economic heat

AFTER A long conversation about the economy an Iranian businessman rapped his hands on the table and said: "When a car travels at high speed it uses more fuel and the driver has to be doubly alert." This, of course, is a truism, but it has been brought home very forcefully in recent weeks. The economy has gone through 18 months of unprecedented high growth and spending, but now the problems generated by such rapid development are coming to the surface.

The economy has become overheated, serious bottlenecks have developed and inflation at home and abroad has pushed up the cost of investment. Accordingly, the brakes are being gently applied and the authorities are proceeding with a more sober appreciation of the realities. The realities are that funds are not limitless, despite a quantum jump in oil revenues, for an ambitious development programme, and that the country's human resources and infrastructure impose restraints of their own.

Iran last year suddenly found its economic status dramatically transformed by the rise in the price of oil. From being merely prosperous almost overnight it was elevated to being very wealthy, enabling the Government to almost double the investment targets for the Fifth Five-Year Plan, 1973-78. The Plan targets were revised from $36bn. to $69bn., with the target growth rates for agriculture raised from 5.5 per cent. to 7 per cent., industry from 15 per cent. to 18 per cent. and 11.5 per cent. to 16.4 per cent. per annum. At the same time budget expenditure for the Iranian year, 1974-75: was raised from $16.1bn. to $30.8bn.

Receipts from the oil sector exports showed a staggering change from $5.06bn. to $18.65bn. an increase of over 265 per cent. This increase was reflected directly in the huge leap forward in national income, up 42 per cent. (At constant prices) from $25.8bn. to $44bn. Per capita income rose from $812 to $1,344, a level which would not have been reached, according to some estimates, by the end the old Plan.

These stark figures convey little idea of what really happened with the advent of such wealth. The Government, in an expansive mood, decided to come to the aid of industrialised countries, putting loans of $1.2bn. at the disposal of Britain and $1bn. at the disposal of France. Generous foreign aid programmes were drawn up, especially for Afghanistan, Egypt, India and Pakistan. Iran raised its commitment to the World Bank and to the IMF. By the end of the year Iran had total bilateral and multilateral commitments of $10bn.

Technology

Iran also, on a selective basis, began to look for equity investment in opportunities abroad. To secure access to technology, raw materials and markets joint commissions were established with 35 separate countries envisaging joint ventures and deals worth $45bn.—the largest worth upwards of $15bn. with the U.S. Defence spending was raised from $5.5bn. to $7.8bn. and orders were placed for a whole range of sophisticated equipment, making defence still the biggest single budget item (29 per cent.).

The authorities felt the *rial* was sufficiently strong to free it from its traditional dollar link and instead pegged it to the SDR. Restrictions were lifted on foreign exchange import deposits were lowered and a selective range of imports had their tariff barriers reduced to keep pace with rising demand. The old restrictions on the employment of foreigners were relaxed as it was realised that there was a 700,000 shortfall in skilled manpower over the Plan period. Private industry clamoured for credit to finance imports, which jumped from $5.9bn. to $11.8bn. and to invest in new plant and machinery. Credits to the private sector from the banking system rose by 42 per cent. and money supply increased by an incredible 61 per cent.—the highest rate recorded since World War II.

SUMMARY BALANCE OF PAYMENTS $m.

	1972-73	1973-74	*1974-75
Current receipts	3,337.2	6,284.0	18,659.6
Current payments	−3,502.4	−5,899.5	−11,828.1
Net current account	−165.2	384.5	8,917.2
Net capital account	592.2	893.3	−3,082.3
Errors and omissions	4.2	27.3	−52.0
Incidental receipts/payments	61.9	−236.2	—
Overall balance	492.9	1,068.8	5,782.9

* 1974-75 figures still preliminary.

In short the new found wealth generated a mentality of spending, fuelled by hundreds of foreign companies which flocked to Iran from the depressed economies of the West in the hope of business. The full impact of this boom began to be felt from January onwards. Almost 60 per cent. of the increase in money supply took place in the last three months of the Iranian year and the process accelerated through into 1975-1976. It became clear that the authorities had to act. The IMF staff report on Iran in January commented that "an increase in domestic liquidity at a rate of over 40 per cent. would accentuate the upward pressures on prices. The credit policy *vis-a-vis* the private sector seemed appropriate. An adjustment in the anticipated rate of monetary expansion would, therefore, require a reduction in the planned level of the Government's net domestic expenditures."

Pressures on prices had indeed been felt. The official rate of inflation of 15 per cent., though perhaps correct in relation to the declared price of goods, had in practice been bypassed due to demand outstripping supply. For instance with a six-month waiting list for the locally assembled Paykan car customers have been paying as much as $1,000 above sale price to secure early delivery. Wages, despite guidelines of under 20 per cent. have gone up by over 30 per cent. in the private sector in the past year simply because employers cannot afford to lose scarce labour. Meanwhile the Government pumped upwards of $1bn. into the economy via subsidies on essential commodities such as wheat, sugar and meat, which in turn filled demand.

With these inflationary pressures subjecting the economy to serious strain and threatening to erode the new oil income added to a drop of some 700,000 B/D in projected oil production, the Government had to move. In June the Director-General of the Plan, Mr. Abdol Majid Majidi, announced that in future all Government expenditure would be subjected to careful scrutiny. This was subsequently backed up by instructions from the Prime Minister, Mr. Amir Abbas Hoveida, on July 8 ordering all ministries to exercise "the utmost care and economy" and to prevent "the country's sizeable revenues from being either wastefully spent or devoted to unnecessary tasks."

The aim appears to be to economise as far as possible through greater efficiency rather than by actual cutbacks. No cutbacks have been announced although several projects may well be shelved. Foreign aid, according to Mr. Majidi, will be given only in "vitally important cases." Priority will be given to such areas as port and general infrastructure. At the same time the Finance Ministry, as the general overlord, has instituted a monthly system of reporting from the ministries and various Government agencies to keep a closer regular feel of the economy's pulse. The Central Bank, probably the institution with greatest immediate means to control the economy, has begun to tighten up on credit and has made it clear it will stick to the planned 260bn. rials increase in credit to the private sector for the year. The Government has also begun a war on prices, though it is problematical how effective this will be so long as demand exceeds supply. Inflation has yet to abate significantly. Almost certainly growth this year will be less hectic.

Resources

Has Iran overstepped its physical and financial resources in going for such an ambitious development programme? As regards its physical resources, it has certainly run in serious bottlenecks. Mr. Majidi in June said that the country was short of 110,000 skilled workers against only 24,000 the previous year. As seen elsewhere in the survey in the article on manpower (Page XII) there are a host of problems associated with importing large numbers of foreigners into the country, not least of which is the question of a housing shortage. The ports in addition impose limitation of their own on growth. Nominal handling capacity of Iran's main ports was under 4m. tons for non-oil goods at the beginning of the Plan. Through working continuous shifts and emergency programmes capacity is now about 12m. tons but even so ships are expected to wait a total of 16,000 days this year in Iranian ports. Then there is the problem of internal transport and distribution which is still poorly organised—though major efforts are being made to improve this. All this will take time to solve and one is forced to the conclusion that for the moment these are very real constraints on growth which could, on some estimates, retard Plan achievement by at least a year.

On the question of Iran's financial resources it seems there is an element of propaganda, aimed both at home and abroad, in reports that the country may run short of what it needs. Domestically the message has to get across that wealth cannot be squandered, while for both domestic and foreign consumption the authorities are anxious to show that imported inflation has added 30 per cent. to Iran's import bill and that the life span of Iranian oil is strictly limited.

Last year total foreign exchange receipts amounted to $20.7bn. The figure would have been higher had not the final month's oil revenues been held over due to a dispute (over the alignment of Iranian crude with Saudi crude). The foreign exchange component for imports was $12.6bn. (including as much as $3bn. for defence imports). The surplus enabled the Government to accelerate foreign debt repayments setting aside $1.3bn. for this purpose. Approximately $800m. of this was utilised to settle outstanding debts with an interest rate of over 8.5 per cent. In addition investment abroad and loan disbursements (including foreign aid) was stepped up from a mere $600,000 to $2.1bn. a further $700m. was set aside for the IMF oil facility (though only $500b. is believed to have been taken up). Meanwhile payment for the bulk of imports switched to cash basis. Overall Iran was still able to record a current account surplus of $8.5bn. setting aside $5.2bn. for reserves. Foreign reserves, including liabilities of the banking system now stand at $8.1bn.

This year the import bill is estimated to be between $16bn. and $17bn. To this must be added a further $3bn. in debt repayment and foreign commitments, plus $1.1bn. for the IMF oil facility. Foreign exchange receipts are estimated to be about the same. The drop in oil production since January which if maintained over the year will cost over $2bn., will be balanced by 13 months revenues and also by an anticipated oil price rise in September. However, the oil price rise will not be felt until the last three months of the Iranian year since there is a 90-day period of grace.

What this means is that last year's healthy surplus will be pared right down, although it is doubted whether there will be an actual deficit. Iran, however, is likely to turn once again to the international market for funds, and the *Ministry of Finance* has already authorised certain Government agencies to do so. Internally it means that the authorities will now have to watch their *budgeting. Last year's surplus* of 295bn. rials will turn into deficit. Conscious of this and the increasing dependence of expenditure on oil revenues there is a determined move to carry out tax reform to widen the revenue base.

Structure

But if Iran is to live within its resources the real problem is not just one of creating self-sustained growth through a broad based industrial structure. The country has to radically improve its agriculture which after all still provides the livelihood for the bulk of the population. Demand for agricultural goods and foodstuffs is growing at over 10 per cent. a year while production is increasing at as little as 3 per cent., according to unofficial estimates. This is well below projections. The rise in the standard of living and the spread of money resulted last year in a 250 per cent. increase in imports of grains, 45 per cent. in dairy products and 50 per cent. for sugar. Admittedly there are enormous difficulties to overcome: the high soil temperature makes it unreceptive to fertilisers, over irrigation creates salinity and the weather still is the master. But unless the problem of agriculture is tackled properly, it will mean continuing increases in the foodstuffs import bill, and more importantly it will accelerate the drift to the cities trailing social problems in its wake.

Robert Graham
Middle East Correspondent

Limits

CONTINUED FROM PREVIOUS PAGE

it. This has made for a degree of cynicism which may be seen as accounting for the invitation to "State-less traitors" not registering for the Rastakhiz that they could leave the country.

In the event 52 per cent. of those eligible registered with the turn-out in the well-organised and fair elections to vote for the officially approved candidates varying from 71 to 92 per cent. according to area. Given the diversity of the country—its scattered population, including nomadic tribes, and all its ethnic-linguistic minorities—the Government was entitled to feel encouraged by the result. It could point to two other healthy aspects of the poll: the preference shown for local men and the choice of candidates from lower down the social scale—in particular, teachers and smaller farmers. As yet it remains to be seen how the Rastakhiz will evolve as a forum for much-needed free discussion of policies and positive debate.

Historically, Iran has gone through periods of strong autocratic rule from the centre and others when centrifugal forces threatened anarchy—as they did at the end of the Qajar dynasty before Reza Shah, and again in the early 1950s when the demagogue Dr. Mossadegh rose to power. Iran is little different to some other states in the Middle East in finding it difficult to reconcile freedom and authority nor in having a large internal security service—though SAVAK is more all-pervasive and ruthless than most.

Certainly, its activity has increased in response to the terrorism of the last few years, the extent of which can be seen from the fact that since 1970 there have been publicised no less than 86 executions on this account and 57 deaths in shooting affrays, including 10 security men. Except for antagonism to the system the motivation of this violence remains as obscure and confused as the official description of it as "Red-Black reaction" would imply. From available evidence it seems that much of it is inspired by extremism of a traditionalist and religious nature. More worrying, however, is the also ill-defined, but open, discontent on the campuses, some of which were immobilised for long periods last winter.

In its dash for the 21st century Iran undoubtedly will experience not only social growing pains but also economic strains like those which have become so acute this year. Iran should succeed in becoming a viable industrialised country without dependence on oil. In its drive to become one, however, the constraints will be human and social rather than financial. The country may be forced to recognise that it cannot achieve all that it wants as fast as it wants.

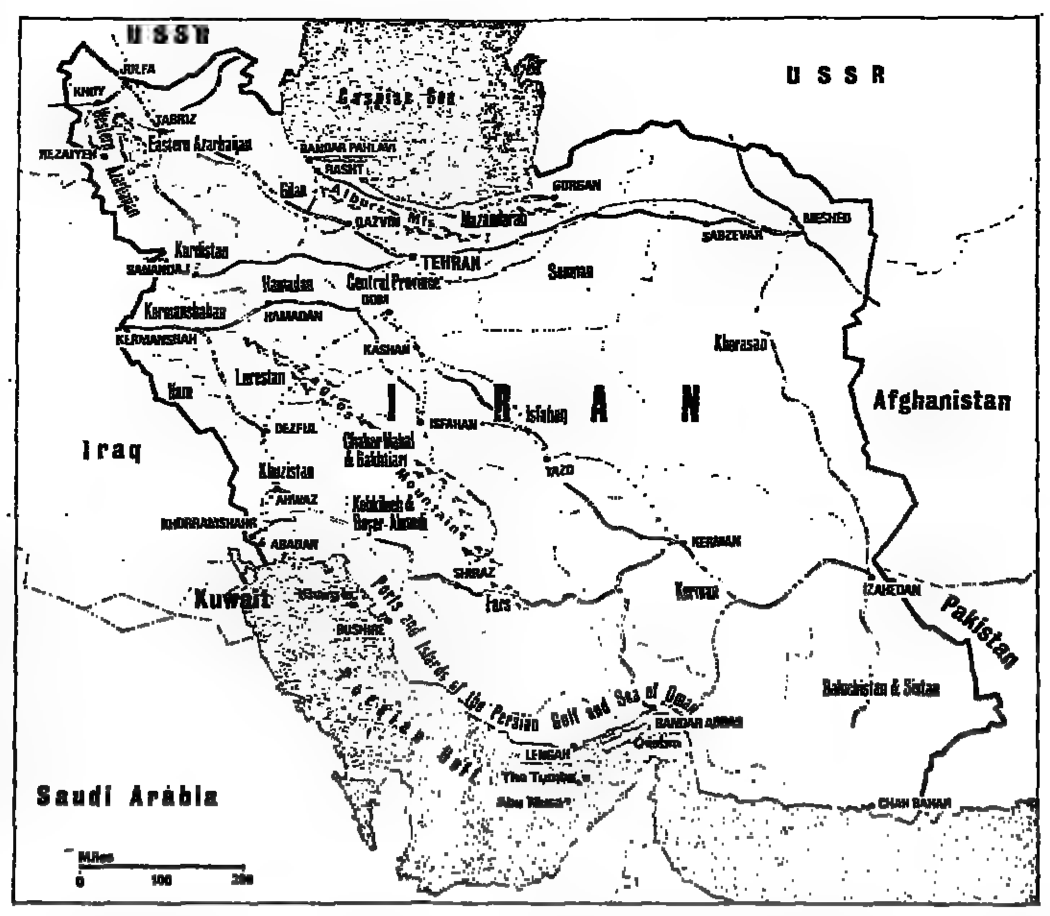
Richard Johns

هكذا من الأصل

هكذا ابن الأحمر

Elections under the one-party system have just taken place with the result that many of the old faces have disappeared from the Majlis and Senate to be replaced largely by new middle class politicians. The one-party system has only met real opposition from religious elements.

Political switch



ELECTIONS HAVE just taken place with so little fuss that one is tempted to ask whether the whole exercise was a non-event. So much is happening in this boom country at the moment outside the political sphere that the elections seemed but a brief interruption in the more important process of economic development and social progress. But it would be wrong to write off the elections as irrelevant. They were the country's first under a single party system—the Rastakhiz (national resurgence) Party—and resulted in a substantial number of fresh faces being elected to parliament within an entirely new and still evolving political framework. Granted the old vertical nature of power remains with the Shah at the top still tightly controlling everything, but gone is the deference to Western-style democracy, with a government party and an opposition party, the single party system in its place is probably a more accurate reflection of the political reality.

Turnout

The authorities went to lengths to make the elections, which took place on June 25, fair: and they almost seemed happy to have one or two ballot box irregularities exposed. Moreover, compared to previous elections in Iran these were smooth and the opposition muted although this does not mean there has been no opposition. Of the total electorate of some 13m. it is estimated that about 6.8m. persons registered to vote (a process which involved the stamping of one's birth certificate). Even now over a month after the ballot the precise turnout remains unknown. According to the Interior Minister Mr. Jamshid Amouzegar, between 70 and 90 per cent. of those who registered voted. This means that turnout was between 36 per cent. and 47 per cent. of the electorate.

By Western standards this is a low poll but by previous Iranian elections it is relatively high. *Although information on the poll is scant to say the least* it is important nevertheless to assess what sections of the population voted and whom they voted for because this does give some clue as to the direction of the Rastakhiz Party and those persons who form the central core of political support for the Shah.

Originally there were over 7,000 applications by candidates who sought to be one of the three persons permitted to contest each of the 268 seats in the lower house (Majlis). Although incumbents from the two former parties—Iran Novin (the Government party) and Mardom (the Opposition)—did contest seats, the most remarkable feature was that over 80 per cent. of those elected were new to Parliament. The same pattern was repeated in voting for the 30 elected Senate seats; another 30 being chosen by the Shah. This means that virtually all the rich and powerful members of the now defunct Iran Novin party have been excluded. In their place are an inexperienced collection of persons drawn from medium-size farmers, teachers, the professional classes, some businessmen and a few workers representatives—the latter would have been in even greater numbers had it not been realised that their powerful vote for the 28 seats in Tehran could have captured almost all the seats, and accordingly in some hectic last-minute negotiations they were invited to vote for selected candidates.

The Shah and Empress Farah.

In effect what has happened, albeit in embryo, is formal recognition of the growing importance of the middle class, the people benefiting most from and with the greatest stake in, the success of the Shah's revolution. If this outcome is accidental, it also seems to have fulfilled one of the Shah's aims in disbanding the two-party system in March; namely to give a gentle stirring to the political scene and bring in some new blood favouring the growth of the middle class.

But the disbanding of the two parties, without any apparent forewarning, remains a puzzling move. On the surface at least it represents a remarkable break with the Shah's previous thinking. In his book "Missions for my Country," the Shah refers to the "strait-jacket" of one party rule, and he points out the situation in Communist countries which "allow only one political party" and who hold elections in which "the voter has no choice for the only candidates listed are those of the ruling party." The book admittedly was written in 1960 and there seems little doubt that the change stems in part from his publicly voiced disillusion with democracy as he sees it practised in the West to-day. In turn it seems he was also anxious to adopt a system which was purely Persian and did not have to pretend to owe anything to the West or require judgment from it. As it was, under the old system the opposition had never really functioned as such.

However, the unexpectedness of the decision to create Rastakhiz suggests that timing was significant. The decision was announced shortly after the Shah had returned from holidaying in Switzerland and in the wake of a massive Iran Novin jamboree-like congress at which the Prime Minister, Mr. Abbas Hoveida, was elected as party secretary. This was the first time in almost a decade that the premiership and the post of party secretary had been held by one and the same person. Thus the sudden disbanding of Iran Novin, along with Mardom, eliminated what some observers regarded as a growing power base. At the same time, with the prospect of the elections only four months off, it also erased the possibility of any embarrassment to the Government party in the poll results. In by-elections held last year Mardom had shown substantial gains.

When the Shah announced the formation of Rastakhiz he invited all Iranians to join; but he also issued a blunt warning to the effect that those who did not wish to join could expect no favours and anyone who opposed the party could pack their bags and leave the country. As one well placed Iranian put it: "Rastakhiz lays down the minimum requirements for *loyalty to Iran, the constitution, the monarchy and the Shah's revolution.*" So far some 9m. persons have registered as party members, although it is hard to gauge what this really means since books have been passed round factories, offices and even schools inviting people to sign on.

Realism

Such a direct call to participate was a rude awakening to many of the more educated Iranians who had chosen to ignore the old bi-party system. Moreover, it was an uncomfortable jolt to those who had formerly enjoyed a degree of power and status in the now defunct Iran Novin. But it seems with a mixture of cynical acceptance and realism the latter two groups have accepted the new system.

The main opposition has come from the religious elements, dissident intellectuals, and the students, while it seems to have made little difference to the position of the underground urban guerillas who continue to rear their head. The Rastakhiz Party is a clear rejection of the traditional Islamic ideas which foster suspicion of foreign influence and modernism. A number of religious leaders have not hesitated to express their rejection of the party. This rejection of the Shah's modernistic path by the religious community paves the way for an alliance of the extreme right with the extreme left—branded here in the Press as "Islamic-Marxism."

During the elections there were serious disturbances at the religious city of Qom which were described as instigated by "Islamic-Marxists." With almost half the population still illiterate and religious, this "Islamic reaction" is probably the most serious single force *the authorities have* to cope with in developing the country. A sizeable portion of the urban guerilla movement—which this year has claimed the lives of two U.S. Air Force officers, an American consular employee, a NIOC official and a senior member of the security forces—is believed to be composed of the extreme Right.

Another area of indifference has come from the tribes which represent more than 2m. potential voters but who by tradition have maintained their independence from the political scene. But even this and other opposition does not detract from the potential of the new order now emerging, formalised in the Rastakhiz Party. Land reform, the breaking up of the big landed estates in the 1960s curbed the power of the landlords. Their new wealth, derived from the booming economy and property in the cities is unlikely to develop into any powerful political lobby now that the Shah is pressing ahead with plans for distribution of shares to workers. This check also helps to clear the way for the middle classes to benefit within the new system.

Movement

What then will be the function of the Rastakhiz Party? Rastakhiz has been described as more of a movement than a party. Parallels have been drawn with Egypt's Arab Socialist Union or Tunisia's Neo-Destour Party. The party is going to be based on a cell or chapter structure with cells varying in size, depending on the local area concerned, with a minimum of 100 members and a maximum of 400. In Tehran, for instance, this could mean anything from 3,000 to 12,000 different cells which would be represented by a 55-man executive board. The party's guidelines have been described as "unity without uniformity"—that is, internal debate is healthy so long as it is not divisive. Certainly it seems that the Shah feels that a one-party system is a stronger framework in which to carry out a constructive debate. To promote greater debate two separate "wings" have been formed.

These two wings have been called the "constructive liberals" and the "progressive liberals," headed respectively by the Finance Minister, Mr. Hushang Ansary and the Interior Minister Mr. Jamshid Amouzegar. Although they sound confusingly similar, these two wings do reflect a fairly genuine division of opinion within the establishment—between those who believe in maximum growth despite the consequences, and those who believe that growth is important but too high a price should not be paid; the former group being represented by Mr. Ansary and the latter by Mr. Amouzegar.

This debate over growth is the absolute key to the future development of Iran. Until now it has received scarce public airing with parliament too timid to do little more than voice its support for the Shah. The optimists believe that the Rastakhiz can provide the framework for such a debate; the cynics are waiting on the sidelines to prove them wrong.

Robert Graham

In revising their 5th Plan the Government has been forced to take an urgent look at priorities and is concentrating on a programme of development despite the risks of inflation and dislocation.

Plan priorities

EVEN BEFORE the revised version of the 5th Plan spanning the years from 1972-73 to 1977-1978 has been officially published and presented to the Majlis, the Iranian Government has been forced to take a searching look at priorities. No one should be surprised at that.

In keeping with the five-fold increase in oil prices in just over a year from October 1973 to November 1974 the original version underwent a dramatic change with the total investment target doubling from 2,416.1bn. rials ($36.9bn.) to R.4,698.8bn. ($70.5bn.) and the State's allocation rising even more from R.1,233.0bn. to R.2,668.5bn. $40bn.). The annual growth target was adjusted upwards from 11.4 per cent. to 25 per cent. in real terms. Instead of contemplating loans from abroad of some $6.5bn. to finance the Plan it became possible to envisage a total cumulative surplus $17.7bn. The urgent pre-occupation about creating 1.4-5m. new jobs was translated into an altogether different concern about the projected manpower shortage of 700,000.

Despite the fall in oil production below anticipated levels and the prospect of renewed borrowing, the first sentence of the new blueprint remains valid: "The quadrupling of revenues anticipated from oil during the Fifth Plan from the original $26.8bn. to an estimated $98.2bn. has removed financial constraints on development spending." The revenue shortfall may be seen as a temporary phenomenon with demand for oil set to revive in the coming months and a hefty OPEC rise scheduled for October.

Essentially, the review has been necessitated by the infrastructure deficiencies — in particular, ports, communications and power — and the shortage of skilled manpower. From the beginning it was foreseen that sooner or later the unashamedly ambitious development plans would be constricted by these bottlenecks—the question was when? Mid-way through the plan period it could be said that this point has been reached at a time when development spending is only just building up the momentum required if the full disbursement target is to be achieved.

REVISED 5TH PLAN

FIXED CAPITAL FORMATION

	PUBLIC SECTOR			PRIVATE SECTOR			
	State Investment funds	From the resources of public enterprise	Total	From private savings	State investment funds	Total	Grand total
ECONOMIC AFFAIRS	1,734.98	411.56	2,146.69	708.84	176.54	885.38	3,031.87
Agriculture and natural resources	166.85	10.00	176.85	62.40	70.00	132.40	309.25
Water resources	157.24	5.00	162.24	2.00	2.00	4.00	166.24
Electricity	240.00	70.50	310.50	—	—	—	310.50
Industry	252.14	25.00	277.14	403.00	100.00	503.00	780.14
Oil	333.00	202.90	535.90	87.80	—	87.80	623.70
Gas	51.00	69.00	120.00	47.50	—	47.50	167.50
Mining and quarrying	61.50	0.30	61.80	4.00	0.50	4.50	66.30
Transport and communications	400.00	2.20	402.20	90.00	—	90.00	492.20
Postal and telecommunications	66.30	25.00	91.30	—	—	—	91.30
Tourism	6.80	1.66	8.46	12.14	4.04	16.18	24.64
Commerce	0.10	—	0.10	—	—	—	0.10
SOCIAL AFFAIRS	553.02	38.50	591.52	691.80	3.05	694.85	1,286.37
Education	126.77	—	126.77	2.70	2.10	4.80	131.57
Culture arts	9.10	—	9.10	0.50	0.50	1.00	10.10
Public health, medical service and nutrition	42.05	—	42.05	3.0	0.45	3.65	45.70
Social security and welfare	9.00	—	9.00	—	—	—	9.00
Youth affairs	15.00	—	15.00	0.40	—	0.40	15.40
Urban	45.00	28.50	73.50	—	—	—	73.50
Rural development	60.00	—	60.00	—	—	—	60.00
Housing	230.00	10.00	240.00	685.00	—	685.00	925.00
Environment	6.10	—	6.10	—	—	—	6.10
Multi-purpose regional development	10.00	—	10.00	—	—	—	10.00
GENERAL AFFAIRS	380.56	—	380.56	—	—	—	380.56
Head of State, legislature, etc.	—	—	—	—	—	—	—
Government buildings, installation	319.00	—	319.00	—	—	—	319.00
TOTALS	2,668.51	450.06	3,118.57	1,400.64	179.59	1,580.23	4,698.80

Inflation

Not so clearly anticipated perhaps was the kind of inflation which would be generated by rapid growth. Both the bottlenecks and the scale of the State's current expenditure appear to have been as significant a cause of inflation—in reality running at a rate far higher than the 15 per cent. of the retail price index in 1974-75—as the higher cost of imports and the profiteering of the business community. The pace of development has strained not only the over-heated economy but also an administration which though blessed with a relatively thick layer of talent at the top, is much weaker in the middle and lower ranks.

The kind of heady, unprecedented growth experienced by Iran in the past two years would have tested any economy or administration. Official estimates show that in 1973-74 and 1974-75 respectively Gross National Product rose by 30 per cent. and 40 per cent. In current prices this would have given a total GNP of some R.290bn. ($43.4bn.) and a gross per capita income of some R.87,500 ($1,310). Meanwhile, imports of goods (defence items are included in services) soared by 65 per cent. from $2.99bn. to $4.95bn. in 1973-74 and then by a further 110 per cent. to an estimated $11.8bn. in 1974-75.

It was, of course, oil which accounted for the largest part in the rise in national income. Nevertheless, in constant terms the non-oil Gross Domestic Product grew by 13 per cent. in 1973-74 and a further 17 per cent. in 1974-75 in real terms, according to official calculations. Over the two years consumption of the public and private sector rose by 37 per cent to account for an estimated 76.7 of GDP last. In the same period savings and investment rose at a slightly slower rate overall by 33 per cent. with its share of GDP falling marginally to 23.3 per cent. Investment by the public sector was much faster recording an increase—again in constant terms—of some 20 per cent. in 1973-74 and 30 per cent. in 1974-75 while the private sector's was reckoned to have lagged behind at 10 per cent. for the two years.

In absolute terms actual development expenditure by the State amounted to some R.182m. in 1973-74 and an estimated R.450bn. in 1974-75 meaning that in the first two years of thet Plan only about a quarter of the public sector credits allocated for the five years were actually disbursed. The figure highlights the difficulties that even a relatively sophisticated developing country like Iran faces in maximising its oil revenues in the shortest period of time.

At the end of 1974-75 the number of unfilled job vacancies in all categories was put at 60,000. Much of this shortfall should be covered by the Ministry of Labour's crash programme. Even so it is understood that in itself the labour shortage may limit public investment to two-thirds of the $15.7bn. originally contemplated.

Nevertheless, with the escalation of prices and the ever-increasing military expenditure the Government looks likely to spend in total about as much as the Plan projected with current outlays perhaps superseding the 3,393.3bn. rials (50bn. rials) allocation but capital expenditure probably falling below its targets. Officially the word is that actual implementation may take an extra year to complete, but some close and independent observers believe that completion of the programme in its entirety could take two-to-three years longer. In practice, the review of priorities is likely to involve a delay in the start of new projects rather than a deliberate slowing down of ones being executed.

Constrictions caused by infrastructure bottlenecks may prove to have reached their most acute point this year and the determined effort now being made by the Government to open them up should ease the way for a greater volume of investment spending in 1976-77 and 1977-78. Over the full five years, however, it now seems likely to achieve a growth rate in GDP of more than 20 per cent.

For a country like Iran whose growth record over the past 15 years has been almost unique in the developing world is psychologically difficult to scale down targets. From 1962 to 1976 GDP forged ahead at an annual rate of 9.8 per cent. and from 1967 to 1972 at 11.4 per cent. exceeding the targets.

During the decade average per capita income more than doubled. And it was only half-way through the second period that any really significant increase in oil prices and production boosted the performance.

However, petroleum revenue was the essential factor behind it, with oil increasing its share of GDP from 20.1 per cent. to 27.4 per cent. over the 10-year period. Most encouragingly the manufacturing and mining sector grew at a rate of about 14 per cent. annually, although its share of GDP only edged up marginally from some 12 per cent. to 14 per cent. The big disappointment was agriculture which grew at only just over 4 per cent., marginally ahead of the increase in population but in no way sufficient to improve low standards of nutrition in rural areas.

Over the decade its share of GDP fell from 27.7 per cent. to 16.1 per cent. On the infrastructure side, water and power advanced impressively at the rate of nearly 27 per cent. a year, but transport and communications lagged behind at only 6 per cent.—a failure of which the effects are now being felt. Over the decade, it should be noted defence and security expenditure accounted for half the rise in current budget outlays.

Preparations for the Fifth Plan were made with an overdue recognition of the shortcomings in the agricultural sector, and the imbalance in development which left the rural population—nearly 60 per cent. of the total—far behind in terms of living standards with an average income of $200 compared with the urban dwellers $1,000. From the vital point of view of Iran's industrialisation —which must provide the main basis for economic viability when the oil runs dry—an emphasis on agriculture and rural advancement was imperative. It was appreciated that the low purchasing power of a large proportion of the population would limit the growth of industry and ultimately its ability to export.

In the context of economic goals alone the level of literacy —only about 15 per cent. in 1971 despite the efforts of the Education Corps—indicated the need for far more intensive efforts in this direction, as did the low levels of nutrition. Rural inequality apart, Iran was also faced with the problem of unequal income distribution with studies showing that at the beginning of this decade that the expenditure of 10 per cent. of the population accounted for 40 per cent. of consumption, but that 30 per cent. at the bottom of the scale enjoyed only 8 per cent. of consumption.

Thus, the Iranian Government is faced, with two double and related challenges. On the one hand, it must expand industrial capacity to a size and sophistication able to generate substantial experts in the future, achieve maximum possible self-sufficiency in agriculture, and provide the necessary infrastructure for both. On the other hand, it has to raise living standards across the entire country, raise standards of education, and provide better health and social services.

Revenue

Roughly speaking, its oil reserves at present rates of output and assumptions about prices leave the country country about 25-30 years to reach a state of development which can maintain the growth achieved by then without oil revenue. It is no foregone conclusion that Iran will fulfil its ambition to be one of the world's richest industrialised countries by the end of the decade despite its considerable advances and potential in terms of people and resources other than oil.

Thus, in revising the 5th Plan the Government had little choice but to devote as much of available resources as possible to a concentrated programme of development regardless of the risks of inflation and dislocation. Given the importance of oil, which for the foreseeable future will be the country's main provider of foreign exchange and revenue, high priority had to be given to it, especially for the gas reinjection programme designed to prolong the life of the fields. The projected investment under the revised plan of R.623.0bn. is more than double the one of R.330bn. in the original version.

To exploit as quickly as possible the comparative advantage deriving from gas (for use as feedstock and fuel) its development has had its capital expenditure set at R.167.5bn., second only to industry and oil. No less than R.160bn., or 20 per cent. of the total investment of R.780bn. for manufacturing is destined for petro-chemicals, an industry from which Iran in collaboration with its foreign partners can expect to gain maximum added value and boost its non-petroleum goods, but such has been the pressure of demand that a large proportion of output, especially fertilisers, is expected to be absorbed domestically in the next few years.

In the Fifth Plan the emphasis is very much on heavy industry. Apart from petrochemicals, the construction of no less than four steel complexes of the gas reduction type and a considerable expansion of the existing Isfahan steel mill is scheduled. Aluminium capacity should be increased fourfold while in 1977 the Sarcheshmeh mines are scheduled to start producing at the rate of 150,000 tons of blister copper a year. A significant proportion will be required for domestic industry, but Iran hopes for export earnings to start at an annual rate of some $200m.

During the 1960's Iranian industry developed under the protection of tariffs and as a result of a policy of import substitution covering a wide range of consumer goods including durables and motor cars, with the Industrial Mining and Development Bank playing a crucial role through the provision of loans and equity participation. The Fourth Plan period saw a shift towards intermediate and capital goods, in particular with the establishment of East bloc aided aluminium, machine-tool, heavy engineering and tractor plants in conjunction with the Industrial Development and Renovation Organisation.

In 1972-73 the value of Iran's industrial production amounted to R.509bn., with an added value of R.163bn., of which R.321bn. was accounted for by non-durable consumer goods, R.120bn. by intermediate goods and R.62bn. by durable and capital goods. A large proportion of output came from relatively few and efficient plants owned by the handful of powerful industrial groups which have prospered under protection. In the last year of the Fourth Plan "new industrial exports" (as opposed to traditional and agricultural goods) amounted to $102m., only 23 per cent. of total non-oil sales abroad of which the bulk was accounted for carpets ($90m.), cotton ($78m.) and fresh and dried fruits ($57m.). And most of the manufactured goods were sold under trading account agreements.

Critical

In the 10 years up to 1973-74 Iran's imports increased at a rate 50 per cent. higher than the country's non-oil exports which in that year accounted for only 17 per cent. of the country's payments for goods from abroad. The coming decade will be a critical test for Iranian industry in the drive to reduce dependence on petroleum exports. Under the pressures of demand in the economy the Government has substantially reduced tariffs thus exposing local manufacturers. In the long-term their ability to meet the challenge will be greatly assisted by proliferation technical collaboration agreements which Iranian companies are entering into.

While industry's prospects on the international front look good, the agricultural sector

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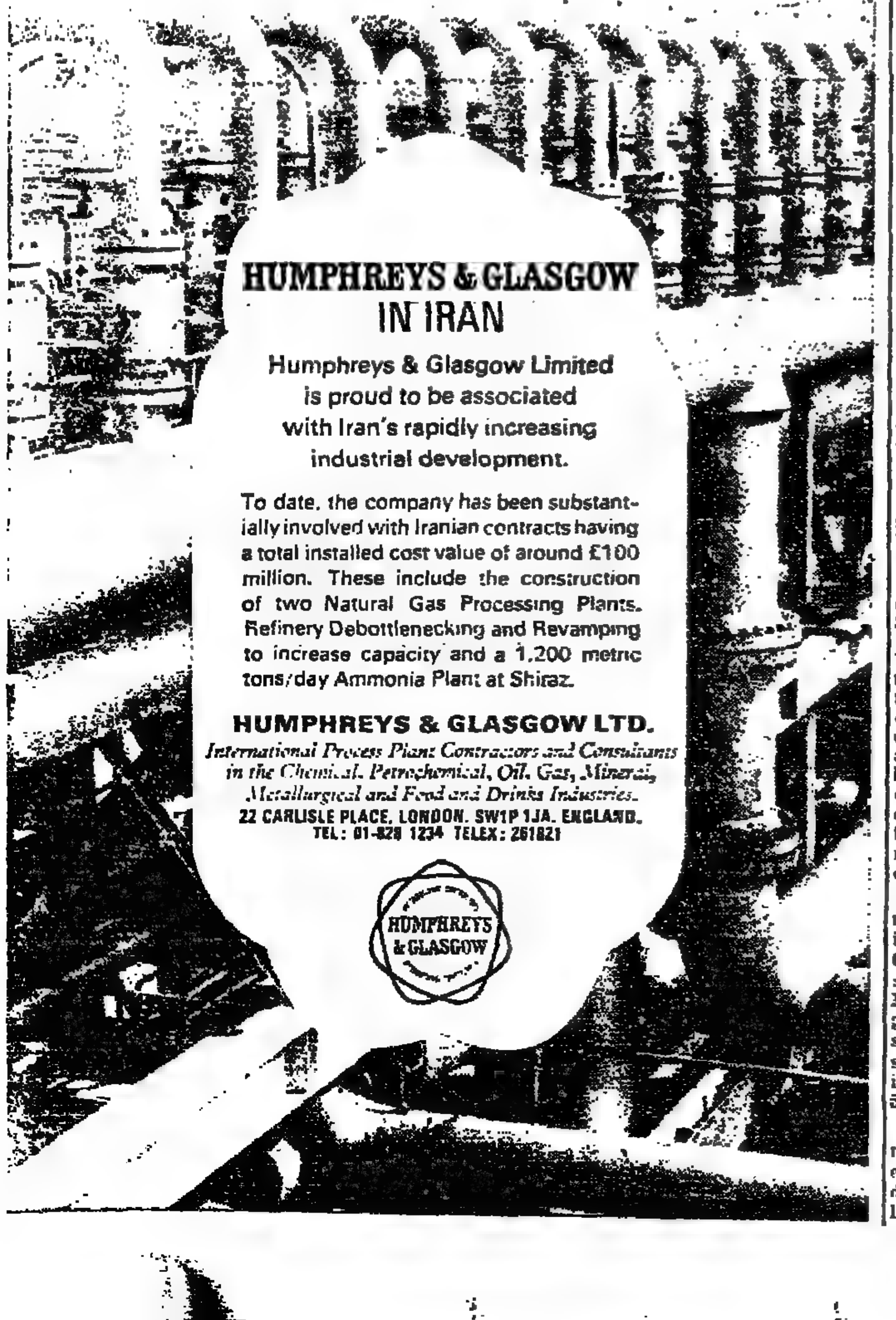

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Spending on defence has in the past taken priority over the social services. Although the country now has sufficient wealth for all its essential priorities the Shah's preoccupation with having strong armed forces is still very much in evidence.

Defence

"I TOLD the Shah that if the Army budget were increased we could do little if anything for agriculture, education or public health. He said: 'very well, then; we'll have to postpone those things'." This incident occurred in 1943, a year after the Shah had succeeded his father, and was recounted by the then financial adviser, an American Mr. Arthur Millspaugh, in a book he subsequently published. Happily for Iran, it is now wealthy enough to spend liberally on all essential priorities, but nevertheless this incident reflects the Shah's preoccupation with defence and strong armed forces: a preoccupation which is still very much in evidence.

Over 9 per cent. of GNP goes on defence and, in the revised Plan estimates for 1973-78, $29.2bn. has been set aside for defence. This represents 31 per cent. of total public estimated expenditures during the Plan. Iran is in the process of acquiring or has already acquired some of the most sophisticated weapons available to-day and is now among the world's 15 biggest spenders on armaments. The armed forces have become according to one well informed observer "by far the most efficient bureaucratic organisation in Iran." The Shah himself continues to take a keen interest and is said to approve personally every promotion above the rank of major.

The list of hardware purchased or on order is as impressive as it is long, the latest being an order for 80 Grumman F-14 Tomcats and an agreement (though no written commitment) to take 1,200 more Chieftain tanks — this time with 1200 hp engines — on top of the 764 already ordered. These are orders which few countries in the world to-day could afford to place.

Prestige

Obviously there is an element of prestige in this — weapons to match Iran's growing status in the world. However, there are other reasons why Iran feels the need to have a strong, well-equipped army, navy and air force. Above all else Iran has traditionally suffered from a chronic sense of insecurity. This is perhaps not surprising. To the north is a large border with the Soviet Union. Memories still linger of the Soviet support in the immediate post-war period for the autonomous republic of Azarbaijan and the immense difficulty experienced to remove Soviet troops from Iranian soil. Iran too, sited round the soft under belly of the Soviet Union, was caught up in the Cold War. Nor have the Iranians forgotten Soviet support for the communist Tudeh Party. A direct Soviet threat is given little credibility now but Iran remains very wary of the Soviet Union's ideological aims, opposed as it is to communism, and of moves to gain a warm water port in the Indian Ocean.

To the East are the Afghan and Pakistani borders. Iran feels threatened by any change in Afghanistan that might push it more into the Soviet camp. While further south the prospect of a break-up of Pakistan and in particular the moves to create an independent Baluchistan (until recently fuelled by Iraq) are again viewed with disquiet. There is talk of one Iranian division stationed near the Baluchi border. In Iran itself there are some 600,000 Baluchi-speaking Iranians.

Dispute

To the west Iran has a lengthy frontier with Iraq, whose Ba'athist regime has for 18 years been beaming hostile propaganda and harbouring political refugees. Both countries have had a long-standing dispute over the vital Shatt al-Arab waterway. More importantly Iran, whether rightly or wrongly has felt very much threatened by the build-up of Soviet influence and the supply of sophisticated Soviet weapons with advisers to Iraq. In February of this year the two countries seemed on a collision course with Iran supporting Gen. Barzani's Kurdish autonomy movement and the Iraqis making a determined effort to crush the Kurds. Many observers were convinced that, had not the two heads of State agreed to bury their differences at the Algiers summit in March, there would have been a major confrontation when the winter snows cleared.

Then there is the Gulf area, so vital for the free flow of Iranian oil to the outside world. Apart from a general wariness of the Arab world as a whole, which grew up during Nasser's time, the Iranians have always feared a scenario of radical regimes taking over in the Gulf States which might then threaten oil supplies as well as breathe revolution across the waters of the Gulf. Hence the Shah's decision in 1971 to occupy the Tumb Islands and Abu Musa in the strategic straits of Harmuz. Hence also his subsequent support for Sultan Qabus (there are about 1,500 Iranian troops fighting in Oman) against the Dhofar rebels. Of course in addition to all this there has been, and still is, the general uncertainty generated by the unresolved Arab-Israeli conflict.

But if insecurity has traditionally been the dominant factor behind the desire to have strong armed forces, Iran has more reason to feel secure now. The Shah has astutely won the Soviet Union round to accepting him for what he is—even though the Soviet Union may still regard him as being too closely involved with the U.S. and the West for their liking. The ice was broken when Iran agreed in 1967 to sell the Soviet Union gas. Payment was part accepted in the form of arms—jeeps, tank transporters, artillery, APCs and bridging equipment. This was a neat way of proving that Iran was anxious to assert its independence. He has also cultivated friendship with China as a useful counter weight to the Russians.

Now the Shah also feels strong enough to call for the elimination of the presence of the two superpowers in the Gulf (basically the American naval facilities at Bahrain and the Soviet use of the Iraqi port Umm Qasr). The Shah is seeking to do this under the aegis of a proposed "Gulf Security Pact." Over the last three months the idea of a loose agreement on mutual security among all the Gulf states has been actively canvassed by Iran and there is likely to be a summit in the autumn to formalise this. Initially every State is almost certainly going to interpret the arrangement the way it wishes but in the long term the Iranians are determined to give it substance—such as a mutual commitment to keep shipping lanes secure.

Even a year ago the idea of a Gulf security pact would have been dismissed out of hand. Undoubtedly the breakthrough in this respect has been the signing on June 13 of a "reconciliation" treaty between Iran and Iraq. This reconciliation meant the formal abandonment by Iran of the Kurdish autonomy movement, and the settling of the Shatt al-Arab dispute on the basis of the Thalwag (median) line. Asylum has been offered to the 97,000 Kurdish refugees in Iran. In addition the two sides appear to have agreed to give up all hostile propaganda, which, it seems, includes Iraqi support for Baluchi autonomy. Thus this adds a major new element of stability to the area.

The other element which has made the Iranians feel more at ease is a dramatic improvement in relations with Egypt. This has been facilitated by President Sadat's dismissal of Soviet advisers and his turning towards the U.S. and Europe for military and economic assistance. The two leaders apparently get on very well. Iran has promised some $1bn. in aid, loans and joint projects. Symbolically an Iranian warship was one of the first to go through the Suez Canal and the young Iranian Crown Prince was a guest of honour at the ceremonies. More recently the Egyptian War Minister, Gen. Gamassy, made the first visit ever by such a minister, and discussed possible areas of collaboration in the military field. There is talk of Egypt agreeing to grant the Iranian Navy facilities at its Red Sea ports. In all this Iran's relations with Israel have been downgraded but the Shah still goes his own way allowing Iranian oil to pass through the Eilaat-Ashkelon pipeline.

The Shah has also sought to improve relations with other neighbours. Some arms and munitions plus funds are believed to have been supplied to the Turks during the Cyprus invasion last summer. Afghanistan has been sweetened with the promise of substantial financial aid. A reported $1bn. is said to have been proposed to Pakistan in aid and joint ventures—the same with India. The latter's explosion of a nuclear device on its own clearly raised some Iranian eyebrows but has not altered the generally cordial tone of relations.

Although all these moves have made Iran more secure, there is one important and nagging question: the country is still heavily dependent upon foreign supplies, foreign technology and the physical presence of foreign experts for its sophisticated military equipment. Whether this creates a credibility gap or not for the equipment is open to question. One can argue that, as in the case of nuclear weapons, their very presence is the deterrent. Iran relies principally on two suppliers—the U.S. and Britain. The U.S. virtually dominates supply, technology and training of the Air Force, Britain is the main supplier in the army, and the two share the Navy.

Ideally Iran would like to be independent of such supplies and technology but it could take upwards of 20,000 foreign experts and five years to learn how to handle properly all the sophisticated equipment ordered. Steps are being taken to manufacture the majority of light and heavy ammunition employed in the armed forces. The Iranians are interested in producing locally helicopters and tanks (although they turned down an offer to produce the German Leopard); and in a highly significant move Britain has been asked to set up an ordnance factory at Isfahan believed to cost some £800m. The contract is extremely large and no one is yet willing to divulge precisely what it really involves. But one thing is certain: it is aimed at making Iran more independent.

Lesson

This was a lesson brought home by the last Arab-Israeli war where both sides needed massive airlifts of Soviet and American supplies to keep their respective armies and air forces in the field. As a direct consequence, it seems, moves are being made to build up a special transport command. Six tanker versions of the Boeing 707-320 have been bought to carry out mid-air refuelling. In addition six Boeing 747 jumbos have been bought for reconversion as military transporters. Initially there was talk of the C-5a Galaxy line being opened up but this proved impossible. These jumbos will provide greater manoeuvrability to the armed forces but at the same time will enable Iran to have a limited independent air lift capacity, thus avoiding delicate diplomatic problems created by overt supply, say by the U.S., in time of an emergency.

The other area where the Shah is seeking to be more independent is in intelligence gathering. Recently a contract was signed with the U.S. to supply a comprehensive intelligence system for territorial surveillance. This is said to include satellites. At the same time aerial reconnaissance, at present small, is expected to be expanded. The first step has been taken with the order of six Lockheed Orions.

There is a danger with all this military strength that some of Iran's neighbours themselves might feel threatened or concerned. The Shah has gone some way in calming these fears among his Gulf neighbours but in the last resort Iran does aspire to be the regional power, and as such its neighbours will have to get used to the idea.

Robert Graham

Plan CONTINUED FROM PREVIOUS PAGE

can never really hope to attain self-sufficiency—only to reduce dependence on imports—given lack of water and the limited cultivable area. The Fifth Plan allocation to agriculture totalling R309bn. is a sign of intent in the direction of maximising potential and its commitment to transform traditional small-scale agriculture into large farm-scale farming.

Urban boom

It is a strategy of which the outcome is uncertain. In general, the sector continues to suffer from the lack of a firmly co-ordinated policy and of harmonisation between the Ministries of Agriculture and Rural Affairs. At least, however, the urban economic boom is drawing people to the towns, reducing the level of under-employment in the countryside and spreading a "spin-off" of prosperity from it.

The evidence is that the rural areas are already benefiting from the decentralisation of planning which have given the provincial governors and their councils powers to draw up their own development budgets and plans in liaison with the Plan and Budget Office's regional offices. The devolution of authority excludes only industry, large schools, tourist projects and national infrastructure schemes, but the intention is to extend the province's power further next year. With the proviso that the quality of provincial administrations vary, decentralisation should also help ensure that the educational, health and social welfare services are extended more effectively into the rural areas.

The Iranian Government launched both the original and revised 5th Plan programmes aware of the limitations confronting it and willing to test them. Different departments and state agencies were almost encouraged to vie with one another in achieving targets. In 1972 the new Plan and Budget Organisation was shorn of its powers of implementation and its hold of the purse strings possessed by its predecessor while the Economic Council was formed to take responsibility for overall policies and guidelines. Just what loss of co-ordination this has meant remains unclear.

Responsible

However, this moment in time—almost half way through the plan period—has posed the question: just how fast can the Iranian economy grow? Given the kind of tensions and strains that are evident as a result of a boom which is almost out of control, it has also raised the question in some responsible Iranian minds: Just how fast *ought* it to grow?

As one senior Iranian official put it privately, "I think we must be careful to get our priorities right: human beings are more important than petrochemicals." In the march towards the Shah's "Great Civilisation" the two are intimately connected and the problem for Iran's Government is one of finding the right balance. New educational, health and social welfare programmes and the greatly increased allocations made in these fields show that human beings are not being neglected. However, implementation of social objectives will prove a more difficult and long-term process than bringing petrochemical plants into production. At least, it must be said the dilemmas of expansion are more stimulating and preferable to those of stagnation.

Richard Johns

Slackening world demand for oil has affected Iran this year but short term prospects are still good. Recognising that it is a wasting asset, the Government seeks to maximise the return on it.

Oil strategy

LIKE the other oil producers, Iran has felt the effects of slackening world demand. In the first six months of 1975 overall output was down 11.8 per cent. compared with the same period of last year and in June was running at a rate 15.5 per cent. below 1974. The average rate for the first half of 5.46m. barrels a day should not be one to cause any great concern to the Iranian Government as yet given the almost certain recovery of the market and the impending price rise.

With the needs of State finance and balancing payments it was calculated at the turn of the year that the country's foreign exchange requirements could be met from a production of 4m. b/d compared with the average 6.0m. b/d in 1974. That appraisal may have changed since then with the big increase in import of goods and services anticipated for 1974-75. However, from the point of conserving a precious and wasting asset—the "noble product" as the Shah has called it—a level of output which does not yield a large surplus revenue can only be welcomed in the country's *long-term* economic strategy.

The most recent official estimate of Iran's oil, proven and recoverable reserves remains secret, but they are believed to be no more than 70bn. barrels, a figure which would give Iran only about 32 years of production at 1974 rates. In terms of its oil resources and the financial demands which will be made on them Iran is not in the comfortable position of Saudi Arabia or Iraq. And the cost of recovering its proven reserves will be high.

Exploration is continuing intensively over the country, but the chances of major discoveries appear to be fairly remote. For the next few decades it is certain that the bulk of production will come from the Khuzestan Fields in the former "Agreements Area" operated until 1973 on a quasi-concessionary basis by the Western consortium composed of British Petroleum (40 per cent.), Shell (14 per cent.), the other majors—Exxon, Standard Oil of California, Texaco and Mobil—(7 per cent. each), Compagnie Française des Petroles (6 per cent.), and a handful of U.S. independents grouped under the name Iricon.

Now owned and operated by National Iranian Oil Company—with a subsidiary of the consortium acting as contractor—the Khuzestan Fields' production of 5.57m. b/d (including a quantity of gas liquids) accounted for 92 per cent. of the 1974 total. In the first half of this year output fell more than the average for the country as a whole by 12.6 per cent. By contrast, output of the four 50:50 joint ventures between NIOC and foreign partners rose by 3.3 per cent.

This, however, was wholly the result of the operation of IPAC (in which the partner is Amoco). Its fields ran at 173,000 b/d, some 50 per cent. up on last year. LAPCO (Atlantic Richfield, Murphy Oil, Sun Oil and Union Oil), with a rated capacity of 210,000 b/d only achieved 179,000 b/d in the first *six months*. Faced with declining well pressures IMINOCO (AGIP, Phillips Petroleum and the Oil and Natural Gas Commission of India) was down to 53,000 b/d. SIRIP (AGIP) *also* recorded a decline, 59,800 b/d, while NIOC's small Nafte-Shah field produced at the rate of 15,000 b/d.

Assumption

Clearly, in future years the Khuzestan Fields will bear the main brunt of financing the country's development. Back in 1972, when the Government started negotiating the terms for the full take-over of the country's main producing fields, the initial assumption was that they could be developed to yield 8m. b/d and produce at that rate until 1993. The 20-year "Purchase Agreement" with the consortium of Western oil companies, formerly known as Iranian Oil Participants, eventually emerged two years ago. Outlining the details of the complicated formula for sharing of output between the National Iranian Oil Company and the members of the old consortium it set no firm projections for future output but the contract did set the objective of installation of an 8m. b/d capacity by October 1, 1976, "Provided that that is technically feasible and economically justifiable." The fact was that no such projection could be made, anyway. Since then it is known that NIOC has scaled down the maximum for the Khuzestan Fields to 7.2m. b/d compared with an average of 5.57m. b/d in 1974 and a peak of 5.73m. b/d in the spring of that year. With the 1973-74 oil price increase there is less urgency about completion of the capacity. In the meantime a very large investment is being made not only to raise production to the optimum but to maintain it at that level.

The Fifth Plan projects a total allocation of 623.7bn. rials ($9.3bn.) of which the State and NIOC are to provide 535.9bn. rials. The balance would come from the members of the consortium, who still have a 40 *per cent.* investment obligation *for* the Khuzestan Fields; and the other foreign partners of NIOC involved either *in* the joint *producing* ventures or *in* exploration under service contracts.

More recently, NIOC has announced a $7.5bn. expansion programme—covering also some of the investment of its gas and petrochemical subsidiaries—over a five-year period beginning from 1976 designed to raise production to the 7.2m. b/d mark and also raise gas utilisation from the present capacity of 5bn. cubic feet per day (all of it currently associated with petroleum production) to 30bn. c.f.d. The coming five years are, indeed, a very important period in Iran's development of oil resources. No official word has been forthcoming on what is a key question in the country's economic development. But the general understanding is that extraction of oil from the Khuzestan fields by primary methods can go on for only another seven or eight years and the prolongation of their life to the end of the century will involve a massive programme of gas re-injection.

Few of the secondary recovery projects have reached the detailed engineering stage, but it is already clear that, as far as the Khuzestan Fields are concerned; associated gas can satisfy only a small part of what is required. Of total Iranian gas production averaging 4.4bn. c.f.d. in the first five months of 1975, 4bn. c.f.d. came from the area covered by the agreement; 1.1bn. c.f.d. was already being used domestically (a small proportion for reinjection) and 935m. c.f.d. was being exported to the Soviet Union.

Secondary

According to unofficial estimates, the secondary recovery programme could absorb anything from 8-13bn. c.f.d. with the upper limit looking more likely given the fact that NIOC is aiming for an output of 30bn. c.f.d. and in view of the other commitments for it. Thus, development of the Iran's main producing fields and the preservation of their productive capacity will make heavy demands on pure natural gas. Projects have already been drawn up to use high-pressure "dome" gas from the Pazanan and Naft-Sefid reservoirs to maintain pressures in certain of *the oil fields.*

Still very much involved in the development and exploration process are the member companies of Iranian Oil Participants (still registered in London), with their Tehran-registered subsidiary, the Oil Service Company of Iran (OSCI), assisting with operating the fields under a five-year renewable contract. It is a separate legal entity but the head office still plays an important part in purchasing equipment and materials. At an operational level the agreement has worked out well, so, too, has the contract's pricing arrangements under which Iran receives for any variety of crude the equivalent benefits to those of the other producers of the Persian Gulf, although there was a dispute over the March payment.

As yet, the sales provisions of the agreement have not been tested by market conditions or the dictates of national petroleum policy although on the face of it they might be one day. Under them, NIOC sells what crude remains after the State oil corporation has satisfied its domestic needs and exercised its entitlement over the "stated quantity" rising from 200,000 b/d in 1973 to 300,000 b/d in 1974, 450,000 b/d this year upwards to 1.5m. b/d in 1981.

The "stated quantity" after that date will be the same proportion of total crude available for export as 1.5m. b/d was in 1981. However, if by then NIOC has committed the full 1.5m. b/d to refining and other ventures in which it has an interest of 50 per cent. or more it will be entitled to 1.5m. b/d or 50 per cent. of total crude oil available for exports—whichever is less.

The implication of the Purchase Agreement—concluded before the OPEC price increase of 1973-74—was that output would run at the optimum level. For the companies the attraction of it was the assurance of supplies which it gave. It remains to be seen how the sales provisions would be affected if OPEC was to impose a production programme. In the meantime NIOC has been able to export its full entitlement either from the Khuzestan fields or the joint ventures, although figures given by the company show sales in the first six months of this year to have run 17 per cent. higher than the same period of 1974.

NIOC reports exports during 1974 *to have run at the rate of* 419,000 b/d and 514,618 b/d during the first six months of 1975. This would compare with an entitlement this year of 450,000 b/d from the consortium and nearly 235,000 b/d from joint ventures. According to independent sources, actual sales abroad of oil from the Khuzestan fields ran at just under 320,000 b/d. As far as the joint ventures are concerned it is known that NIOC's inability to lift its share in 1974 has brought into play complicated and—for the partners—uncomfortably costly over-lifting obligations.

Despite their part in pushing up the bids at the fateful auction of NIOC crude, which was used to justify the enormous OPEC increases late in 1973, the Japanese have been purchasing very little. U.S. independents are known to have bought odd lots, but the most steady outlets have been Madras refinery in which NIOC has a share, South Africa, Israel and Romania (via the Israeli pipeline). Yet, these are early days yet for NIOC despite its aim to become a major international force in the world oil business.

In this direction its ambitions have been highlighted by negotiations with Shell to purchase a share in the company's U.S. subsidiary and the interest shown by the Shah in buying Burmah Oil's 20 per cent. shareholding in BP which is in partnership with NIOC in North Sea exploration. While that initiative seems to have made no progress for political reasons, NIOC says of the U.S. bid "Our negotiations with the Shell Oil Company concerning our co-operation in their marketing facilities in the 10 north-eastern states are continuing. However, final decision regarding this matter has been deferred until such time as a clearer picture of U.S. energy policies emerges."

Confidently it asserts that talks are still going on with ENI and a decision may be expected soon on the project under which NIOC would take a substantial stake in the distribution network and refining operations of the Italian State corporation. Apart from India, the one firm foothold secured downstream is in Senegal where agreement has been reached on the formation of a 50:50 venture which will take over the management of some 200 petrol stations later this year and construct a 60,000 b/d refinery.

In the transport field the National Iranian Tanker Company, a wholly-owned subsidiary of NIOC, now boasts a total tonnage of 479,000 tons which will be substantially increased with the delivery of the 229,000 ton supertanker on order with a Japanese yard. A much bigger expansion is in prospect as a result of the agreement in principle with BP under which a number of *VLCCs* and product tankers would be sold to form a jointly-owned fleet—a deal designed to give NITC the benefits of expertise and training also.

Export

Back home NIOC is engaged in a big expansion programme that will add to existing capacity of 825,000 b/d another 630,000 b/d with new facilities at Isfahan, Ahwaz and Tabriz being built. Although it owns the Abadan export-refinery, the world's largest, which is undergoing an increase in capacity to 600,000 b/d, but whose products are committed to the consortium under the Purchase Agreement, NIOC has not become an exporter of products. Its determination to obtain maximum added value in this way through deals which tie long supply commitments to partnership in export-refineries remains as strong as ever.

Progress in its negotiations on various projects over the past two years has not been helped by the world's general over-capacity. For that reason the prospects for the joint ventures that have been discussed with the Japanese and West Germans currently look dim. But the talks with the Shell Oil Company on the construction of a $1.5-2bn. export refinery with a 500,000 b/d capacity, which has been envisaged as part of the U.S. deal, are still alive. Under a joint protocol Belgium has expressed its interest in a large export-oriented refinery and petrochemical complex. Sooner or later NIOC should be selling products on a large scale.

Richard Johns

Known gas reserves in Iran are enormous and new finds are still being evaluated. Decisions must be made how to use it: exports, petrochemicals, re-injection or fuel.

Gas wealth

WHILE THE productive life of Iran's main oil fields has a span which is known and limited, its gas potential remains to be defined with real precision. It is, however, clear that the country has an immense stock of this natural resource which in the next century must be a vital ingredient for the country's sustained growth. The most recent official estimate of proven reserves given earlier this summer by a senior official of the National Iranian Oil Company was that proven reserves currently amounted to 374 trillion cubic feet or 14.4 per cent. of the world total. In the global league that would place Iran second only to the Soviet Union.

This figure, however, would almost certainly understate Iran's gas wealth. Appraisal of a number of discoveries is still in hand including the two very significant and exciting ones—the "C Structure" offshore near Bushehr and another in the onshore area near Bandar Abbas. The indications are that actual reserves in known structures may not be less than 600 trillion cubic feet and that Iran will be able to rely on natural gas as a source of energy into the middle of the next century.

Priority

Given the certain and rapid decline of oil production from 1990 onwards delineation of the country's gas reserves is of crucial importance. Inevitably the first priority must be reinjection into the Khuzestan fields, the lifeblood of the country's development in the next 20 years. Beyond that crucial decisions must be made as to how much gas should be set aside to fuel the nation's economy and to feed the petrochemical industries designed to give Iran maximum added value from the wasting asset.

In turn these calculations should determine the volume of gas that Iran can afford to export beyond its existing firm commitment to the Soviet Union, which has been receiving supplies through the first Iranian Gas Trunkline since 1970 and the agreement with the Kalingas group which would involve shipment to Japan of liquefied Natural Gas from the C Structure. A final contract *is* expected to be signed by the end of November on the export to the Soviet Union of more gas under the "switch" arrangement whereby the Russians *would* then *supply* West Germany from its own fields. At stake, however, is the *other* LNG export project covered by the letter of intent signed with El Paso Natural Gas of the U.S. and the two Belgian concerns, Sopex and Distrigaz.

Most immediately the concern must be to utilise fully the associated gas currently being flared. A limited quantity is produced *from* the oil operations of the joint ventures and NIOC—some 350m. cubic feet per day in 1973 of which 22.5m. cfd was utilised. The bulk comes from the Khuzestan fields. The volume produced in 1974 amounted to some 4.4bn. cfd of which little more than 2bn. cfd was consumed, including some 880m. cfd to the Soviet Union. IGAT's full capacity is being reached this when rather more than 1.6bn. cfd will be sold to the Russians and the balance delivered by spur lines to Shiraz, Isfahan, Kashan, Tehran and Alborz for industrial, commercial and domestic use.

Crude from the Agha Jari, Marun, and Ahwaz fields feeds the IGAT system after the natural gas liquids have been extracted for separation into propane, butane and natural gas gasoline at the export-orientated Bandar Mah Shah NLG refinery. The "lean sour gas"

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Although much of the present production of petrochemicals is consumed by the large and expanding domestic market, Iran is aiming to become the strongest petrochemical power in the Third World.

Petrochemicals

FAR AHEAD of its rivals among the oil producers Iran is pressing ahead with the construction of a giant integrated petrochemical industry. Moreover, while Saudi Arabia and others in negotiating their projects must seek to obtain from its partners guaranteed markets abroad and export commitments, the fast growing and gluttonous appetite of the Persian economy means that for the foreseeable future the bulk of production will be absorbed domestically.

For instance, last year local production was able to satisfy a little more than half the demand for fertilisers which was running at 800,000 tons and is anticipated to increase at the rate of 25 per cent. a year despite the difficulties of the agricultural sector. At that rate, even if the 5th Plan target of 1.7m.-ton production in 1977-78 is reached it would all be consumed locally. Having finalised an agreement on a 50:50 joint shipping venture the State-owned National Petrochemical Company is uncertain just how much ammonia there will be for the carrier under construction.

At the same time NPC predicts that there will be only a marginal output available for export from the $1.9bn. petrochemical plant to be constructed at Bandur Shapur when it comes on stream in 1979—much as the Japanese partners want to ship home a sizeable share of its products. Located on the shore of the Persian Gulf this massive complex producing the two basic "building blocks" of the petrochemical industry, olefins and aromatics, will be very much the core of Iran's ambitious plans for the petrochemical sector.

Investment projected for it in the 5th Plan has been set at a total of 163.14bn. rials ($2.45bn.), 79.14bn. rials from State resources and 84.0bn. rials from the private sector, is second only to the metals and steel sector under the industrial heading. And the bulk of the total has been allocated to the Iran-Japan Chemical Company, the 50:50 joint venture between NPC and the Iran Chemical Development Company composed of Mitsui and Company (45 per cent.), Toyo Soda (30 per cent.), Mitsui Petrochemical (5 per cent.) and Japan Synthetic Rubber (5 per cent.).

There will be three basic primary plants for the complex. A salt electrolysis plant will convert 400,000 metric tons annually of salt (drawn from evaporated sea water on a 1,500-hectare site next to the site) into 250,000 tons of caustic soda and 200,000 tons of chlorine gas. A cracking unit will absorb 120,000 barrels a day of natural gas liquids to produce ethylene, propylene and butadiene. A reforming unit will process some 24,000 b/d of naphtha from the Abadan Refinery to produce benzene and xylenes.

NPC is possibly optimistic in its forecasts about the absorption of the bulk of these products in the domestic economy in the early years of the complex's operations. It does, however, envisage a substantial surplus of cumene, ethylene dichloride and vynil chloride available for export. Total sales are expected to run at some $700m. (at current prices) from the start of operation.

In parallel with this major new development for which the contracts were recently finalised—expansion of capacity of Iran's existing petrochemical plants is progressing. The oldest of them is the Iran Fertiliser Company, a wholly-owned subsidiary of NPC, which began its operations near Shiraz in 1961. Fed by gas from the IGAT pipeline, last year, it had achieved a capacity of 4,000 tons of nitric acid, 30,000 for ammonium nitrate, 52,000 tons of urea, and 63,000 tons for soda ash.

Fertilisers

The first phase of IFC's expansion programme involving the installation of plant to produce 50,000 tons of mixed fertilisers—the full nitrogen-phosphate-potassium blend—and 30,000 tons of sodium tripolyphosphate is now finished. The second one costing an estimated $250m. and planned for completion by mid-1977 will greatly increase IFC's production giving a further annual capacity of some 440,000 tons of ammonia, 550,000 tons of urea, 110,000 tons of nitric acid, and 220,000 tons of ammonium nitrate with the whole of the extra output destined for domestic consumption.

Down south the Abadan Petrochemical Company, the 74 : 26 venture between NFC and B. F. Goodrich, has now virtually finished its $17-18m. expansion programme and expects the new installations to be on stream by October. Then, with the whole complex fuelled by 5.5m. c.f.d. of natural gas and 4.5m. c.f.d. of "off gases" from the local refinery, the final product breakdown should be 20,000 tons of polyvynilchloride, 12,000 tons of dodecylbenzene, 24,000 tons of caustic soda, 700 tons of hydrogen chloride and 60,000 tons of polyvynilchloride.

At Bandar Shahpur a major increase in Iran's capacity for nitrogenous and phosphate fertilisers will result from the $270m. investment being undertaken by the Shahpur Chemical Company, which originated as a partnership with Allied Chemical but became a fully-owned NPC subsidiary when the U.S. concern sold its share and pulled out of the project in 1973. Annual capacity for urea will rise from 150,000 tons a year to 730,000, diammonium phosphate from 170,000 to 300,000 t.p.a., and phosphoric acid from 41,000 to 70,000 tons annually while a third sulfur unit is being built as a reserve.

Shahpur Chemical's programme is moving faster towards its end-1977 completion date than Iran Fertiliser's with NFC evidently pulling out all the stops. Unlike the Shiraz complex, the one at Bandar Shahpur is export-oriented and, notwithstanding heavy domestic demand, NFC is anxious to retain the foothold in markets abroad which it has achieved.

In contrast, the Kharg Chemical Company (known as Chemco), the 50 : 50 joint venture between NPC and Amoco, has had to delay implementation of its plan which would involve a doubling of annual sulphur capacity to 460,000 tons and even greater increase in capacity for natural gas liquids (propane, butane and natural gasoline) to 590,000 tons.

Downstream at the "third generation" stage the Iran Carbon Company's plant at Ahwaz started production this year with a rated capacity of 15,000 tons annually. This joint venture between NPC, IMDBI, the Cabot Corporation of the U.S., and the International Finance Corporation is doubling the size of the plant to satisfy fully domestic demand, in particular from the tyre industry, at the cost of $10-15m.

Well under way is the first phase investment by Iran-Nippon Petrochemical Company, NPC's 50:50 partnership with Nissho Iwai and Mitsubishi of Japan which, at a cost now estimated at $60m., is designed to produce 40,000 tons annually of dictyl phthalate (DOP), the intermediate required for the manufacture of various plastic articles. On the drawing boards is a second phase investment, currently calculated at $90m., embracing the construction of a cracking unit for production of ethylene and propylene as well as production of acrylonitrile and methyl methcrylate.

Isfahan

Also being implemented is NPC's aromatic plant at Abadan which will feed on naphtha from the NIOC refinery there. At a cost now put at $350m. it should come on stream by 1978 producing up to 800,000 tons annually of benzene and xylene. In the private sector Du Pont of the U.S. has joined forces with the Behshahr group, the Mah Nakh Company, IMDBI and the Industrial Credit Bank in the construction of a $250m. acrylic and polyester fibre plant near Isfahan which is scheduled to come into operation by 1978. Next year the plant near Shiraz of the Persepolis Industrial Resins Company—owned by Iranian private investors (40 per cent.), British Industrial Plastics (40 per cent.), and the ICB (20 per cent.)—should come on stream next year, while the Irano-Garb group is planning to manufacture 30,000 tons of polystyrene products in the near future.

All these projects fall in the Fifth Plan period although it seems probable that some will not be completed until after 1977-78. Inevitably, the labour shortage is affecting the progress of implemenation as are the other infrastructural bottlenecks. In itself the over-heating of the economy is an argument for a slow-down and for other large projects under negotiation finance could be a constraint. In implicit recognition of these factors, NPC seems unconcerned about the delay in finalising deals with other foreign partners, stressing that they should be "phased-in" at the appropriate time.

A number of such projects are hanging fire. The letter of intent signed with Bayer and Inventa (of Switzerland) for a caprolactam joint venture has yet to materialise into a firm agreement. Details of the project to be undertaken with Dynamit-Nobel for dimethylterephalate production has yet to be finalised, but NPC says that it will go ahead. Negotiations are continuing with Marubeni on the project for the manufacture of methanol on Kargh Island, with NPC saying that the question is when it should be phased in. However, as its feedstock will be tail gas flared by Chemco final agreement may depend on the latter's undecided expansion plan.

Yet to be finalised are contractual agreements with Union Carbide for the proposed $700m. ethanol, isopropona1 and ethylene glycol complex and with Dow Chemical (Europe) on another basic aromatics-olefin complex estimated to cost $500m. Negotiations have been taking place also with Phillips Petroleum, B. F. Goodrich and Ashland Oil on a giant petrochemical plant.

Most of these projects can be regarded as falling in the Sixth Plan period and as part of a wider ten-year programme in which NPC originally envisaged a total investment of $8bn. The company now recognises that with inflation the outlay is more likely to be in the region of $12bn., with annual investment rising well above the present annual rate of some $1bn.

Availability of cheap gas and gas liquids makes NPC confident that it can eventually obtain a return of as much as 30 per cent. on its investment (the recovery of which is also being assisted by the State's massive fertiliser subsidies). With the strong base provided by a large, expanding domestic market and the natural advantages deriving from its hydrocarbon resources, Iran can look forward to becoming the strongest petrochemical power in the Third World.

Richard Johns

Gas

CONTINUED FROM PREVIOUS PAGE

is piped to the *Bid-e-Boland* natural gas refinery where it is cleaned before being pumped into the IGAT pipeline. In addition, the off-take of associated gas for the industrial centre at Ahwaz from the nearby oil field of the same name is scheduled to be in the region of 200m. cfd. In 1973 another 240m. cfd went to the Abadan refinery and the Kharg Petrochemical Company. But utilisation in oil operations then amounted to only 275m. cfd.

With the reinjection requirements of the Khuzestan fields estimated at anything from 8-13bn. cfd it was inevitable that NIOC would make the decision to devote all the balance of associated gas to reinjection with the total availability in 1980 calculated at 2bn. cfd. To make up the shortfall considerable quantities will have to be drawn from the pure natural gas fields. The first such injection is being made this year with the delivery of 300m. cfd to the Haft Kel oil field from the Naft Safid dome which in 1977 is also to supply a similar amount to the Paris field.

Towards the end of next year dome gas from the Pazanan cap will be pumped into the Gachsarab and Agha Jari fields. With studies continuing and the programme still being worked out it remains to be seen exactly what demand Iran's vital secondary recovery programme will make on unassociated gas resources. But by any criteria prolongation of the life of the oil fields must be the first priority. At the same time the National Iranian Gas Council foresees domestic consumption of gas roughly doubling from the present rate of 1.5bn. cfd to 3.2bn. cfd in 1980.

Adjustment

Last summer Iran reached agreement with the Soviet Union on a higher price for the gas pumped through IGAT. Retroactive to January 1, 1974, it gave an extra 57 cents per thousand cubic feet, an increase of 86 per cent. on the old level of 30.7 cents, with provision for a further adjustment if the price of fuel oil moves up 30 per cent. or more. There followed the signing of the letter of intent for the trilateral deal under which Iran would supply 1.3-1.5bn. c.f.d. of gas to the Soviet Union and the USSR would deliver 1m. c.f.d. to West Germany over a 25-year period with 1981 set as the date for the commencement of exports through IGAT II.

According to NIGC, the minimum base price—to be paid in hard currency—will be more than for the gas being delivered by the present trunkline and escalation provisions will be included in the agreement. The assumption now is that the gas will be supplied from the C structure of the Kangan field where reserves could be anything from 30 to 100 trillion cubic feet. Even the lower figure would be sufficient to accommodate both IGAT II and the Kalingas project.

Consortium

The latter scheme, whose total cost is now estimated at over £2bn., would involve the liquefaction and export to Japan of 700m. c.f.d. of gas rising to 1.2bn. c.f.d. with the upper limit yielding something like 700m. tons of LNG. The project will be a joint venture between NIGC (50 per cent.) and the consortium composed of International Systems and Control (15 per cent.), Nissho-Iwai of Japan (15 per cent.), Chicago Bridge and Iron (7.5 per cent.), Halfdan Ditlev-Simonson (7.5 per cent.) and Lone Star Gas (5 per cent.). The last name bought into the project earlier this year taking an option on 400m. c.f.d. of output.

Responsible for the drilling, Lone Star is expected to considerably expedite the progress while J. F. Pritchard, a subsidiary of ISCC, is working on the design of the plant. The foreign partners are raising the finance for the project most of which is expected to come from the U.S. Eximbank.

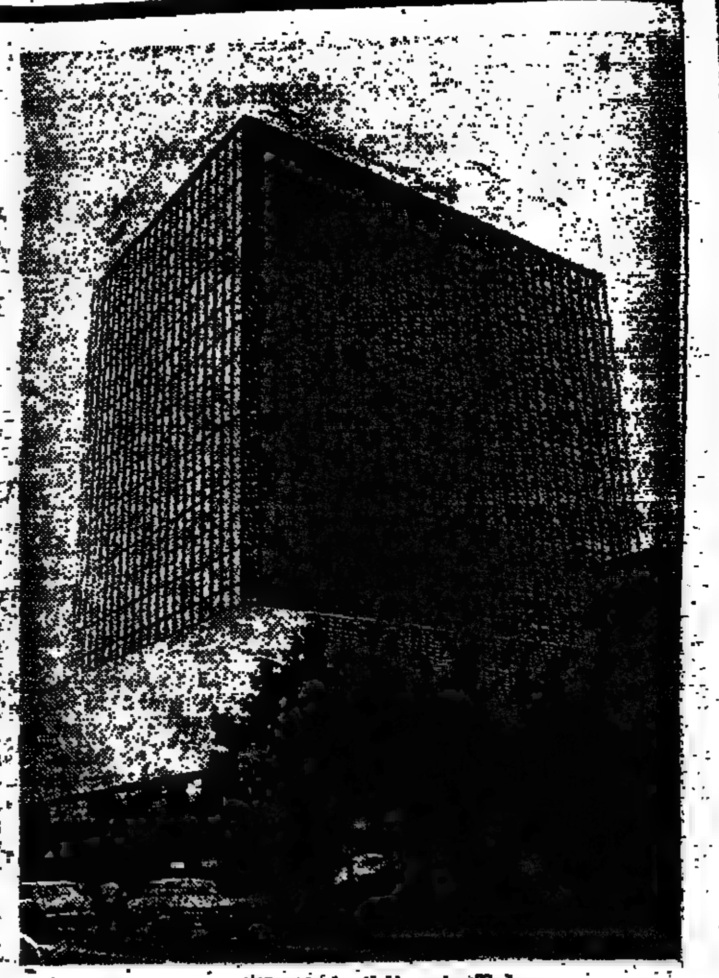
The fate of the third major export project will depend on the delineation of the Kangan Structure and also the prospects for the Suez Canal remaining open, according to authoritative NIGC sources. As yet it is not certain if and when the letter of intent signed by NIGC, on the one hand, and El Paso of the U.S. and Soprex and Distrigaz of Belgium, on the other, will materialise into a project. Envisaged is a 50 : 50 joint venture involving the liquefaction of 2bn. c.f.d. rising to 3bn. c.f.d. for export to Europe and the U.S. and involving an investment of as much as $6bn.—the largest LNG project yet planned in the world. Currently, such a Persian Gulf-based scheme is now a much more likely starter than a gas pipeline to Iskenderun on Turkey's Mediterranean cost or on through that country to the Balkans.

In considering the export of natural gas the Iranian planners are now taking into account the very exciting discoveries made in the area south of Bandar Abbas by the EGOCO partnership composed of ERAP, AGIP, Hispanoil, Petrofina and OMV under a service contract to NIOC. Gas has been found in three different structures—out of no less than 27 which promise to be fruitful. Secrecy surrounds the exploration being carried out of ERAP, but it is believed that the area could contain anything from 100 trillion to 300 trillion cubic feet.

Richard Johns

A remarkably rapid rate of change has been forced on what is basically a conservative banking system and it is finding it difficult to keep up. Practically all the banks have found themselves undercapitalised and short of good staff. Lending capacity has been increased and foreign exchange movements eased. The place of foreign banks.

Developments in banking



Iranians' Bank building in Tehran.

IRAN HAS got probably one of the fastest evolving banking systems in the world. Within the space of under two years it has been called upon to be a principal instrument in promoting a massively increased programme of imports and internal economic development. The pace of change has been more or less forced upon a conservative banking system and it is still finding it difficulty to keep up.

Virtually every commercial bank has found itself undercapitalised and short of good staff while the Central Bank has had its job cut out trying to keep the demand for credit within tolerable limits. More and more foreign banks are knocking at the door to be allowed in for a share of the action but policy in this respect is still restrictive and cautious; several Iranian bankers believing that for its existing resources, the country is overbanked and a big question mark hangs over if and when Tehran will be able to establish itself as a *significant* international capital market.

There are just over 30 specialised and commercial banks operating in Iran, in addition to 40 foreign banks with representative offices. At present the commercial banks are responsible for supplying 76 per cent. of all the banking systems credit. Among the commercial banks themselves four dominate the scene—Bank Melli, Bank Saderat, Bank Sepah (the Army bank), and Bank Bazargani. Together these four banks account for 62 per cent. of the total deposits of the 23 commercial banks. Among the specialised banks the two most important ones are the Industrial and Mining Development Bank and the Agricultural Development Bank. Whereas the composition of commercial bank credits have remained more or less constant, the specialised banks have been devoting increased funds to industry. Over a six years period the proportion of credits for industry has risen from 25 per cent. to just over 40 per cent.

Iranian banking law is restrictive and does not permit more than 40 per cent. foreign ownership. The admission of foreign banking partners has been highly selective by the Central Bank. At present there are nine commercial banks with foreign participation which include such names as Chartered, BBME, Algemene Bank, Bank of Tokyo, and First National City. Shortly the State-owned Industrial Credit Bank, Bank Etebarat will be forming a joint venture, the International Bank of Iran, with Chase with a 2bn. rials ($30m.) capital. Chase will hold 35 per cent. of the capital. After this it is *unlikely* that many more foreign bank participations will be admitted for the time being. However, the number of specialised banks will be expanded by the creation of seven regional banks to promote regional development, three having been already earmarked for Tabriz, Rasht and Ahwaz.

Capital

The Central Bank has restricted banks not to exceed 15 times capital and reserves in their total commitments. The aim behind this regulation imposed last year was to encourage them to increase their capital, the vast majority of the banks being heavily undercapitalised in relation to the growing demands placed upon them by the rapidly expanding economy. The result has been a series of hefty increases in registered capital, with 1bn. rials, the minimum suggested by the Central Bank, being frequently exceeded.

SUMMARY OF THE CONSOLIDATED ASSETS OF THE BANKING SYSTEM AND OF THE SUPPLY OF MONEY (in bn. rials)

	End year 1972-73	1973-74	1974-75	Percentage change 1973-74	*1974-75
ASSETS:					
1. Foreign assets†	57	159	464	[illegible]	192
2. Credits to the public sector‡	221	298	405	35	36
3. Credits to the private sector§	362	489	685	35	40
Total	641	946	1,554	48	64
SUPPLY OF MONEY:					
1. Money	158	203	[illegible]	28	56
2. Quasi-money (savings accounts and time deposits)	241	312	494	30	58
Total	400	516	811	29	57

* Preliminary estimates.
† Includes subscription to IMF and other international agencies.
‡ Includes purchase of government securities.
§ Includes investment and equity share participation in private companies.
Note: Owing to rounding up components may not add to totals.

Since the beginning of the Iranian year, March 1975/76, seven banks have raised their capital, often being more than doubled. For instance the IMDBI's capital went up from 3.15bn. rials to 7bn. Bank of Iran and the Middle East from 400m. to 1bn. rials. Bank Saderat from 3bn. to 6bn. rials and the Bank of Iran and Japan from 1bn. to 2bn. rials.

To get a clearer idea of why this was necessary one only has to look at the incredible expansion of banking business. Last year credits to the private sector rose by 40 per cent. from 489bn. rials to 685bn. rials while credits to the public sector rose 36 per cent. from 298bn. to 405bn. rials. Bank Melli, for instance, saw its loans and credits jump from 136bn. to 171bn. rials. However, the lending resources of the commercial banks expanded enormously. It is estimated that the bulk of commercial banks increased their holdings of customers deposits by as much as 50 per cent. with an accelerated shift from sight into time and savings deposits.

The commercial banks' lending capacity was further enhanced by the Central Bank's decision to lower the ratio of deposits which banks had been obliged to invest in Government bonds. This was reduced from 50 per cent. of the increase in non-sight deposits to 30 per cent., while in addition the minimum reserve requirement on the increase in sight deposits was cut from 30 per cent. to 25 per cent. and from 15 per cent. to 12 per cent. on non-sight deposits. This was also a necessary move to make maximum use of domestic resources at a time when interest rates abroad began to fall, a fall which was also reflected locally.

One of the most important moves taken last year was the decision to liberalise foreign exchange movements since the existing restrictions had become less and less relevant to the surpluses generated by Iran's oil income. Although this was a welcome move, the Central Bank was careful to prevent a sudden influx of foreign currencies speculating against an upwards valuation of the rial. Equally it was anxious, with a rising demand for credits at home, coupled with falling interest abroad, to prevent large scale recourse to foreign markets for funds. Accordingly a 15 per cent. minimum reserve requirement — interest free — was imposed on the net short term foreign exchange debts of banks.

Revalued

This liberalisation, coupled in February with the pegging of the rial to SDRs, paved the way for a limited forward foreign exchange market. The rial was effectively revalued against the dollar by 1.5 per cent. For the moment the forward market is confined to dollars to cover transactions for non-oil exports to a six-month period in the future. It is expected that this will be subsequently extended to cover imports and include other currencies. It is also possible now to trade in gold and silver. These moves indicate the direction in which the authorities are moving—a cautious acceptance that Iran should become a fully fledged capital market.

Admittedly this is going to take time. There is no shortage of foreign partners anxious to help develop a capital market but the Iranians are not going to be rushed. There is a shortage of trained personnel to operate, accountancy still leaves much to be desired, communications are poor and the Iranian working means that Tehran is open for only three and a half days of the international money markets working week. These factors in themselves are serious inhibiting elements, quite apart from the various restraints on activity by foreigners. Certainly there is a need for a more sophisticated range of investment opportunities. At present few alternative avenues exist for long-term savings outside bank deposits, amply demonstrated by the 40 per cent. increase in long-term deposits last year. Perhaps this will now begin to change with the decision to go ahead with a wide ranging scheme for sale of 49 per cent. of the shares of 320 manufacturing companies to their employees and the public.

In this situation the banks have it easy and their profits are eloquent testimony. Bank Melli for instance reported net profit up by 1.4bn. rials to 4.7m. or $72m. Other banks have done equally well and dividends have averaged out at well over 12 per cent. Some bankers feel that this should be no cause for complacency. Importers have provided the largest single demand for funds and the risk ratio on importing business in Iran is very low. These good results can, and very often do, mask the inadequacies and inefficiencies of the banking system. For instance creditworthiness is still often based upon the personal standing of an individual rather than on his balance sheets. Most deals are pretty straightforward short-term lending and deposit taking. *There is a great need to develop* medium and long term lending. This will probably come when the return on investment lengthens at present; according to one banker, the return on investment is "embarrassingly" quick.

Because foreign banks are not permitted to operate on their own, this has led to a crop of representative offices. Now there are over 40. The authorities will have to decide precisely what role they will play. At present they are frustrated intermediaries to bypass restrictions on their banking activities: a number of these representative offices have been arranging loans for Iranian clients, then bringing in person from offices in, say Beirut and Bahrain, to formalise the arrangements, thus the loans were formally arranged by an outside office. However, the Central Bank has clamped down sharply on this practice first by warning all the representative offices then by making an inspection of one bank, Citibank.

It is understood that some $400m. worth of commitments were discovered on Citibank's books. At the same time the Central Bank discovered that Citibank had a total staff of 25, virtually treble the size of the other representative offices. The upshot of this was a request to Citibank to reduce its staff to the minimum necessary, which will be three executives. This incident caused quite a stir in the banking community and now the other representative offices are keeping their heads well down.

Robert Graham

While it remains a modest enterprise, the Tehran Stock Exchange is full of confidence that it will become an important part of a thriving capital market. The scale of business remains small and the market lacks some of the vital ingredients of a modern world centre. Importance of the new workers' shares.

Stock Exchange

DESPITE THE tremendous generation of new wealth, the Tehran Stock Exchange remains a modest enterprise. It is full of hopes for the future, linked to the creation of an active capital market, but for the moment its style is modest and its approach cautious and restrictive.

Iranians have yet to look to the Stock Market in any numbers either as a means of long term investment or for speculative gain. This is hardly surprising since the Stock Exchange is very young, and the generation of wealth beyond a few rich families to a rising middle class is a phenomenon of only the last 18 months or so. Even among investors attitudes are still fairly unsophisticated. The attraction of shares is the dividend and the company is judged almost exclusively according to dividend performance which means that speculative trading is usually concentrated round the short period prior to and just after declaration of dividend. A curious side feature, to those familiar with the major stock market, is the way investors tend to regard dividends as a per cent. of the shares par value. As it is dividends are high.

The Stock Exchange only started proper operations in 1968 and for the first three years the total volume of business did not exceed the $3m. level. As can be seen from the accompanying table the volume of business began to take a sharp upturn in the Iranian year 1973-74 — a trend which since then has begun to gather momentum. With this momentum the nature of trading has also changed so that in 1972-73 bonds accounted for 72 per cent. of business while in 1974-75 this fell to 40 per cent. This year the trend is likely to continue because seven banks —banks being probably the most important single sector quoted on the exchange—have raised their capital. Often their capital more than doubled. For instance the Bank Saderat raised its capital from 3bn. riyals to 6bn. and the Bank of Iran and the Middle East from 400m. riyals to 1bn.; while a new bank, the International Bank of Iran (Chase Manhattan and Bank Etebarate) will shortly be floated with a 2bn. riyal capital.

TEHERAN STOCK EXCHANGE—Annual turnover (m. rials)

	Bonds	Stocks	Total
1971-72	254.2	134.2	388.4
1972-73	865.3	334.0	1,199.3
1973-74	1,322.7	1,451.2	2,773.9
1974-75	4,456.6	6,505.6	10,962.2

Since the beginning of the new year 1975-76, the following banks have increased their capital: (1) IMDBI from 3.15bn rials to 7bn. rials; (2) Bank of Iran and Middle East from 400m. rials to 1bn. rials; (3) Bank of Iran and Japan from 1bn. rials to 2bn. rials; (4) Bank Saderat from 3bn. rials to 6bn. rials; (5) Irano-Dutch Bank from 500m. rials to 1bn. rials; in all seven banks have done this.

But if the volume of business is on the increase, the Stock Exchange still remains small. At present there are only 43 quoted companies. Of these many are only public in name. To promote the Stock Exchange the Government has offered very attractive tax concessions. Corporation tax is progressively scaled down from 10 per cent. to all those companies with more than 100 shareholders whole capital gains on the stock market are tax free compared to other capital gains. Thus several family concerns have floated shares which have been bought up by relatives or friends and the shares themselves are rarely traded.

Brokers

The same question of scale is reflected in the number of brokers. There are only two individual brokers and the rest are finance houses and credit institutions, the principal of which is the Industrial and Mining Development Bank of Iran (IMDBI), with the other banks only just beginning to show an interest in the potentialities of the Stock Exchange. At the same time a new breath of air has been generated by the creation of Irano Merrill Lynch, a joint venture between the American securities company, the IMDBI and Bank Melli.

At present the law discourages foreigners from buying stocks. If anyone wishes to be guaranteed against repatriation of the principal, interest or dividends, then the purchase has to be registered. Such an investment in turn has to be approved by the Foreign Investment Board and at present the law forbids portfolio investment. Moreover, where a joint venture with a foreign company is concerned, the Government, when issuing the licence, sets a limit on the foreign holding. In the case of the banks this is 40 per cent. of the equity. This in turn means that the bank, for instance, has to ensure that in floating shares non-Iranians do not exceed this percentage.

Those in favour of expanding the Stock Exchange as part of creating a capital market believe that once a degree of freedom is allowed in foreign investment in the country, the Stock Exchange itself will have to be liberalised. Certainly moves are afoot to change some of the existing laws. A new capital markets law is under consideration which would both tackle the question of greater foreign involvement plus tighten up on company listing requirements and insider trading. This law is needed to pave the way for an orderly development of the market. For instance, it is expected that to cope with expanding activities many of the quoted companies will have to enlarge their capital in the near future. At the same time property speculation which has been going through an unprecedented boom, could well begin to prove less attractive now that the Government has begun to impose curbs on the resale of land unless it is developed. Though the effect of this curb has yet to be felt it could channel substantial new funds into the Stock Market.

More important still is the Shah's decision to press ahead with a plan for participation by workers in the share capital of companies. Details announced on July 17 (which are examined more closely in a separate article) shows that the Government intends to make 320 companies offer 49 per cent. of their shares to their workers and then the residue, not taken up, to the public. Initially 106 companies have been selected with a total registered capital of $707m. and they will have to make their first share offering by March 22, 1976. Another 108 companies will be required to begin selling their shares by the end of the following year. Workers will be provided funds to purchase the shares via new credit institute which will offer concessional rate loans. At the same time a National Investment Company will shortly be created with a $150m. capital to buy shares which have not been taken up and gradually offer them to the general public. This company will have as its chief participants the Central Bank, Bank Melli and the Industrial and Mining Development Bank.

Par value

For two months the market has been waiting for these details and had displayed a certain amount of nervousness. Now that the details have been released it is clear that this foreshadows a considerable rise in Stock Market activity. For instance it is expected that prior to offering the shares a number of companies will reduce the par value of the shares which at present has been kept deliberately high. The average par value is 10,000 rials and the Government would like it reduced to 1,000 rials to make the shares more accessible. Those foreign companies with Iranian share holdings will also be covered by the same rules.

All this suggests that the volume of business will increase. However, it will take time before the Stock Exchange comes to resemble a major international market. Pension funds are still in a formative stage and largely operate outside the Stock Market while life insurance, such an important element for long-term investment, has yet to get of the ground.

Robert Graham

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IRAN'S PLANS FOR DEVELOPMENT

IRAN'S PROGRESS FROM 1960 TO 1973

Iran is a rapidly developing country, rich not only in oil but also in other natural resources, many of which are yet to be exploited. Ever since 1960 Iran has been witness to a tremendous change in its economic and social structure. Iran's GNP in constant 1959 prices has increased by four fold from $4.5 billion in 1960 to $17.1 billion in 1973. Expenditures for consumption have increased by three fold from $3.8 billion in 1960 to $11.2 billion in 1973. This rapid expansion has been achieved by allocating an increasing share of domestic output for investment purposes. Total gross investment during the same period increased by 4.6 times, from $.8 billion to $3.8 billion. The rapid growth was also due to a rapidly expanding oil industry. Value added in the industries and mining sector which reflects the structural change in the economy, increased by 4.6 times, from $.7 billion to $3.4 billion.

In terms of Current Prices, Iran's GNP in 1973 reached the $26.0 billion level and its per capita GNP exceeded $800. The annual figures for the above economic indicators in terms of current and constant prices with the annual rates of growth are given in Table 1.

TABLE I

Some Indicators of Iran's Economic Growth During 1960-1973 In Million U.S. Dollars and percentages

	1960 Current Value	1960 Constant Value	1973 Current Value	1973 Constant Value	Average Annual Rate of Growth Current Value	Average Annual Rate of Growth Constant Value
Gross National Product	4613.4	4462.2	26049.2	17056.7	13.2	10.1
Per Capita (Dollars)	211.9	204.9	829.4	543.1	10.8	7.3
Value Added in Agriculture	1356.7	1300.0	3507.4	2073.1	7.0	3.4
Indust. & Mining	762.6	731.3	5052.2	3386.5	14.8	11.6
Oil	449.2	462.6	8258.2	6256.7	23.1	19.0
Services	1767.1	1688.0	8319.4	5541.7	11.7	9.3
Total Consumption	3923.3	3786.5	16423.8	11198.6	10.8	8.1
Total Investment	862.6	828.3	5913.4	3840.2	14.8	11.6
Total Exports	597.0	604.4	9291.0	6005.9	21.7	17.8
Total Imports	741.7	728.0	5197.0	3605.9	16.0	12.1

NOTES:

** Exchange rate: 1 U.S. dollar=Rls. 67.*
On all other tables to be consistent with the Revised Fifth Plan Report, exchange rate used is: 1 U.S. dollar=Rls. 67.5.
*** All time periods cover March 21st of the year stated to March 20th of the following year.*

The rise in the value of Iran's foreign trade was particularly outstanding during the period under review. Value of total exports in current prices increased from about $.6 billion in 1960 to $9.3 billion in 1973, a 15.6 fold increase. In terms of constant prices the increase in exports was about 10 fold. Though non-oil exports have increased from $ 150 million in 1960 to about one billion dollars in 1973, yet it was obvious that oil exports have been the contributing factor to the rapid increase in total exports.

The rapid rate of growth in Iran's economy and a rapid growth of exports have given rise to increasing imports. Value of imports in current prices increased from $ .7 billion in 1960 to $ 5.2 billion in 1973, a seven fold increase. In terms of constant prices the increase in imports was five fold.

The strategy of economic development during the period under review was to emphasise industrialisation by properly channelling the receipts of the oil sector to the private and the public sectors, and by promoting domestic industries via pursuing import substitution and protection policies.

THE REVISED FIFTH PLAN

From 1973 on, fuelled by rising oil prices in the international markets, the speed of Iran's economic growth accelerated tremendously. The Fifth Development Plan for 1972/73-1977/78 was originally approved in early 1973. The projected GNP growth rate in current market prices was 15.3 per cent. per year, total revenues from oil exports $ 24.6 billion, and the inflow of foreign capital $ 8.3 billion. Imports were projected for the Plan period to be $ 34.1 billion and non-oil exports of goods and services $ 6.1 billion.

The changes that occurred in the international economy during 1973-1974 namely increasing costs of imported raw materials and industrial goods, increasing oil prices, and domestic inflation, fuelled to a significant degree by international inflation, made it necessary to revise the original Fifth Plan. By this revision, the planners were not only concerned with increasing costs of projects, and additional revenues which could be allocated for implementing additional projects, but also with a change in development strategy. Unlike the previous plans, which were based on limited domestic and foreign financial resources, the revised plan had to contend with limitations of other factors of production, such as skilled manpower, infrastructure facilities, and availability of raw material inputs.

As a result, three new dimensions were added to Iran's medium term planning discipline, namely:

a. Planning on the basis of limited supply of domestic resources, infrastructural capacities, and skilled manpower.
b. Outward orientation of the plan with due emphasis to absorptive capacity of the domestic economy and investment of the balance of payments surplus abroad.
c. Expansion of reliance on imports of intermediate, capital, and consumer goods to meet domestic shortages during the Plan, and providing for infrastructures, institutional factors, and changes in foreign trade regulations necessary for such procurements.

The Planners realised that the rapid growth of oil revenues provides an opportunity for reaching the long term social and economic objectives in a shorter time period. At the same time, it was understood that such development may bring in its wake bottlenecks and disparities such as excess demand for food, housing, services, rapid growth of urban areas, worsening income distribution, and rising prices of non-tradeable goods. Consequently the aim has been to draw up the Plan in such a way as to ensure rapid growth while avoiding as far as possible the unfavourable side effects that such a rapid change could bring.

OBJECTIVES OF THE FIFTH PLAN

The Objectives of the Fifth Plan contain both qualitative improvements in the standard of living and the quality of life, and quantitative objectives of production and income growth. The qualitative objectives of the Plan are as follows:

1. To raise the quality of life by maintaining rapid, sustained, and balanced economic growth, accompanied by minimum rise in the level of prices, and relative improvements in the living standards of the low income groups.
2. To extend social, economic, political and cultural justice among all social classes, with particular emphasis on their equitable distribution.
3. To improve the quality and increase the supply of active manpower in order to increase productivity and eliminate development bottlenecks.
4. To preserve, rehabilitate and improve the environment and the quality of life particularly in the urban areas.
5. To encourage dissemination of science and modern technology and to promote creativity and initiative.
6. To preserve and to enrich the country's cultural heritage.
7. To encourage competition in production and export of industrial goods, and to make optimum use of exchange surplus by investment abroad, and by creation of national wealth to replace depleting oil reserves.

The quantitative objectives of the Fifth Plan are:

1. Real increase in the GNP by 26 per cent. per year. GNP is expected to rise from $17.4 billion to $55.0 billion in 1972 prices during the Plan. Per capita GNP is projected to rise from $556 to $1,521. Table II shows GNP and use of resources for the first year of the Fourth Plan and the first and the last years of the Fifth Plan.
2. Total investment of about $70 billion, out of which $46 billion is undertaken by the public sector, and $24 billion by the private sector.
3. Sectoral target growths, of value added per year in agriculture 7.0 per cent., in industries and mining by 18.0 per cent. in services by 16.4 per cent. and in the oil industry by 51.5 per cent (Table III).

TABLE II

Fifth Plan: Gross National Product and Use of Resources
(Billions of 1972 dollars)

	1967-68	1972-73	1977-78	Annual growth rate (in per cent) 4th Plan	Annual growth rate (in per cent) 5th Plan
Consumption expenditures	8.00	13.31	32.12	10.7	19.3
Private sector	(6.55)	(9.56)	(19.59)	(7.9)	(15.4)
Public sector	(1.45)	(3.75)	(12.53)	(20.8)	(27.3)
Gross domestic fixed Capital formation	2.23	4.25	15.60	13.7	29.7
Private sector	(1.14)	(2.09)	(4.73)	(12.9)	(17.7)
Public sector	(1.09)	(2.16)	(10.87)	(14.6)	(38.1)
Net export of goods and services	.07	.30	6.89	—	—
Gross national product (market prices)	10.16	17.26	54.61	11.2	25.9
Population (in millions)	26.5	31.0	35.9	3.0	2.9
Per capita GNP (in dollars)	383.4	556.7	1521.2	7.7	22.3

TABLE III

Fifth Plan: Value Added by Major Economic Sectors
(at 1972 prices)
(Billions of dollars)

Sectors	1972-73	1977-78	Average annual growth rate (Per cent)
Agriculture	2.98	4.18	7.0
Oil	3.20	25.36	51.5
Industries & Mining	3.66	8.38	18.0
Services	6.60	14.13	16.4
GDP (market prices)	16.44	52.05	25.9

PLAN'S POLICIES AND GUIDE LINES

In order to achieve the Plan's social and economic targets, in addition to the active role played by the government in domestic investment and capital formation, it is envisaged that the government would pursue appropriate policies in line with the goals of the Plan.

These policies include:

1. Reorganization of the tax system to ensure wider coverage, to reduce income distribution inequality, and to provide an increasingly important source of public revenue.
2. Regionalization of the State General Budget so as to promote faster economic growth in the less developed regions, and to encourage a more active role played by provincial authorities.
3. To follow monetary policies conducive to the maintenance of real growth and control of inflation, and to refrain from deficit financing of government expenditures.
4. To bring about the necessary changes in the administrative system, affecting the way decisions are made, implemented, and supervised. Also to encourage public participation in planning and decision making, and delegation of executive power to the regional authorities.
5. To strengthen the country's defensive capability and to modernize the facilities and equipments of the Armed Forces so as to protect Iran's territorial integrity in keeping with the country's Independent National Policy.

In addition to the above general policies, specific policies are designated to achieve each of the specific goals of the Plan, which are not dealt with here.

GOVERNMENT FINANCIAL PROGRAMME

Total government receipts during the Fifth Plan are projected at about $122.8 billion of which about 80 per cent is from oil and gas revenues, and 14.5 per cent from taxes, and the rest from utilization of foreign loans, profits from government monopolies, and income from foreign loans and investments.

Of the $122.8 billion government expenditures during the Plan, 41 per cent are allocated for current expenditures, 34.3 per cent for fixed capital formation, 11 per cent for welfare aids and other payments, about 9 per cent for investment abroad, and 4.8 per cent for payment of foreign loans and credit (See Table IV).

TABLE IV

Fifth Plan: Government Financial Projections
(billions of dollars)

Revenues	
Oil and gas revenues	98.2
Direct taxes	8.1
Indirect taxes	9.9
Foreign loans	2.2
Bank credit (net)	—
Sales of debt instruments (net)	0.7
Other revenues	3.7
Total	122.8
Expenditures	
Current expenditures	50.2
Public affairs	(6.8)
Defence affairs	(29.1)
Social affairs	(11.1)
Economic affairs	(3.2)
Fixed capital formation	42.2
Repayment of foreign loans and credits	6.0
Foreign investments	11.0
Other expenditures	13.4
Total	122.8

INTERNATIONAL TRADE AND ECONOMIC RELATIONS

The major transformation in the Iranian economy in the past decade and a half has brought about increasing interdependence of Iran's economy with the world economy.

Iran's interdependence with the world's economy has increased at a time when the world economy is facing many problems as well as unprecedented challenges. The widening gap between the developed and the developing economies, severe inflation accompanied by unemployment and low rates of growth, disorder in the international monetary system, and disequilibrium in balance of payments of many countries, would continue to have a significant impact on Iran's economy. Consequently the main objective of Iran's foreign economic policy in the Fifth Plan is to adopt measures which would enable the country to benefit by playing a more active role in the international markets, while safeguarding it against undue and hazardous dependence on foreign sources.

TABLE V

Fifth Plan: Foreign Exchange Receipts and Payments
(billions of dollars)

A.	Current receipts	114.0
	Oil revenues	102.2
	Other exports	4.9
	Services	4.9
	Income from foreign investment	2.0
B.	Current payments	−94.7
	Imports	−79.1
	Services	−14.3
	Interest payments on foreign loans	−1.3
C.	Balance on current account (A+B)	19.3
D.	Capital account receipts	4.7
	Foreign loans by the government sector	2.2
	Other foreign loans and private capital	2.5
E.	Capital account payments	−6.5
	Amortization of official debts	−6.0
	Private investment and repayment of private debts	−0.5
F.	Balance on capital account (D+E)	−1.8
G.	Balance on foreign payments (net) (C+F)	17.5

More specifically the Plan calls for:

1. Elimination of domestic shortages to relieve the inflationary pressures by increasing imports of consumer, intermediate, and capital goods.
2. Increasing the relative competitiveness of the domestic economy in production and export of industrial goods, particularly in petrochemical and heavy industries.
3. Creation of national wealth by investing the balance of payments surplus abroad.
4. Providing economic assistance to friendly developing countries, and granting loans to international financial institutions and the developed countries in order to promote further development and adjustment in the world economy.

Table V shows a summary of Iran's foreign exchange receipts and payments during the Fifth Plan. Oil revenues are expected to exceed $102 billion, 12.3 times the corresponding amount for the Fourth Plan. Exchange earned from export of non-oil goods are expected to increase 25 per cent. annually, reaching about $5 billion for the Plan period. Value of Export of services would amount to about $7 billion, out of which about $2 billion is due to income from Iran's foreign investments and loans.

The policy of continued rapid economic growth by increasing reliance on foreign supplies will result in unprecedented increases in imports. Payments for imports of goods are expected to increase at an average annual rate of 60 per cent., amounting to $79 billion for the Plan period, or 7.3 times the level of imports during the Fourth Plan.

Payments for services would increase by the same rate, amounting to $14.3 billion for the Plan, or 7.2 times the corresponding amount for the Fourth Plan.

MANPOWER AND POPULATION

Iran's population is expected to rise from 31 million to 36 million during the Plan. No significant changes in the age structure of the population will occur. Under 15 years age group would remain 45 per cent. of the total population. Further urbanization would increase the urban to total population ratio to 42.7 per cent.

Total new employment opportunities created is estimated to be about 2.1 million, 40 per cent. of which is in industry and mining, 25 per cent. in construction, and 26 per cent. in services. Unlike the previous plans, which aimed at increasing employment opportunities, the Fifth Plan's strategy is directed towards increasing the effective supply of labour by increasing efficiency, providing technical, vocational, and on-the-job training, and by utilizing the services of foreign skilled workers.

SECTORAL PROGRAMME

It is not our intention to outline Fifth Plan programmes for all sectors here, since such a treatment is beyond the scope and the objectives of this text. Table VI gives a sectoral breakdown of public and private investment for fixed capital formation during the Fifth Plan.

TABLE VI

Fifth plan: Fixed Capital Formation
(billions of dollars)

	Public Sector	Private Sector	Total
Public affairs	5.64	—	5.64
Social affairs	8.76	10.30	19.06
Education	1.88	.07	1.95
Culture and arts	.13	.02	.15
Health	.62	.05	.67
Urban development	1.09	—	1.09
Rural development	.89	—	.89
Housing	3.56	10.15	13.71
Environment	.09	—	.09
Regional development	.15	—	.15
Social welfare	.13	—	.13
Physical education	.22	.01	.23
Economic affairs	31.78	13.12	44.90
Agricultural & natural resources	2.62	1.96	4.58
Water resources	2.40	.06	2.46
Electricity	4.60	—	4.60
Manufacturing	4.11	7.45	11.56
Oil	7.93	1.30	9.23
Gas	1.78	.70	2.48
Mining	.92	.07	.99
Transportation	5.95	1.34	7.29
Post & telecommunication	1.35	—	1.35
Tourism	.12	.24	.36
Total	46.18	23.42	69.60

In concluding this review, it should be remembered that there has been no opportunity to mention Iran's vast programmes for developing an efficient and competent administrative apparatus: providing for expansion and improvement of health and educational facilities; rural and urban development projects; preservation of the environment; programmes for more rapid development of underdeveloped regions; raising the level of social welfare and promotion of physical fitness, culture and arts. Further plans that it has not been possible to cover are: extensive programmes for the development of Iran's agricultural, water, oil, gas, and mineral resources, construction of housing and infrastructures of highways, airports, harbours, telecommunication and transportation networks and tourist facilities.

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IRAN X

More and more British businessmen are becoming aware of the opportunities presented by Iran, which is the biggest importer among the oil-producing countries. The process of negotiating export contracts is often protracted but the rewards can be considerable.

Relations with U.K.

OVER THE past year more than 4,000 businessmen beat a path to the British Embassy in Tehran—more than double the number in the previous 12 months—giving that diplomatic outpost the reputation of being the most over-worked in the world. This evidence of intensified interest in Iran is hardly surprising in view of the fact that Iran is not only the fastest growing economy of any significant size in the world, but the biggest importer of all the oil producing states. In 1974 it provided Britain's biggest market in the Middle East and the OPEC group as a whole.

As recorded at the U.K. end exports—including weaponry—totalled £278.6m. in 1974, an increase of 64 per cent. over 1973. In the January-April period of this year they amounted to £137.5m., rather more than double the value for the corresponding period of 1974. Among the OPEC states only the more populous Nigeria, a former British colony, came close to Iran as an outlet for U.K. exports consuming £222.4m. in 1974 and £131.4m. in the first four months of this year.

Iran's own itemised import statistics are less than complete and, anyway, have not been published for 1974-75. For comparative purposes the most valid source is the statistics of the OECD whose members account for some three-quarters of Persian imports with the proportion growing despite the continued existence of most of the East European countries, as well as China and North Korea. Outside the industrialised West the only significant suppliers are the USSR and China which had 3.6 per cent. and 2.4 per cent. of the market respectively during the first nine months of 1974-75, according to the Ministry of Trade.

Military

All OECD exports to Iran totalled $5.89bn. 77 per cent. up on the $3.33bn. recorded for 1973. Among members, the U.S. was far ahead with f.o.b. sales amounting to $1.73bn., a phenomenal 124 per cent. increase over 1973. The figure included some $500m. of foodstuffs and also—under the U.S. Department of Commerce's "special category"—payments for military supplies actually made by Iran amounting to $365m.—it will be very much more during the current year.

This impressive performance pulled the U.S. well clear of West Germany which recorded an increase of 58 per cent. to $1.14bn. in 1974 but—when foodstuffs and military supplies are discounted—did not match that of Japan whose exports rose by 109 per cent. to $1.01bn. The U.K. maintained itself in fourth position with $655.2m., 58 per cent. up on 1973, ahead of France and Italy. From lower base levels both these countries had the biggest relative increases, French imports rising by 125.9 per cent. to $257.4m. and Italian ones by 159 per cent. from $177m. to $282m.

Without doubt military supplies and defence contracts made a major contribution to Britain. Under the SITC breakdown in the U.K. trade returns for 1974 the biggest items were transport and equipment at £67m., machinery at £55.9m., "commodities and transactions not classified according to kind," at £48m. and electrical machinery, apparatus and appliances. Under the heading of manufactured goods, exports of iron and steel goods were £10.6m., manufactures of metal £6.8m. and non-ferrous metals £4.0m. Textile fibres recorded £13.9m. and medicines and pharmaceuticals £7.4m.

What these bald statistics do not say is that future British performance will depend to a degree much greater than for any other oil producing state—on the extent of Anglo-Iranian economic collaboration on a government-to-government basis, direct participation through equity investment and the transfer of technology under licence. This generalisation is highlighted by the fact that over the past few years by far the biggest single British exporter to Iran outside the military field will have been Chrysler U.K.—with sales last year estimated at over £30m.—as a result of the Hillman Hunter model under licence in Iran—the Peykan car.

Involvement in the production by Iran National of the Peykan goes back to 1963 and the old Rootes group. Since then—from a period dating back to the beginning of the Fifth Plan period—the Iranian Government has sought deliberately to further economic development through agreements with the governments of the industrialised countries under which precise areas of possible collaboration can be located and suitable foreign partners identified.

With the formation of the Anglo-Iranian Joint Economic Commission back in 1972 Britain was an early starter along with the U.S., France, Japan and West Germany (Iran's other leading trade partners) in a field which has broadened to include countries ranging from Canada to South Korea. Now three years later it is possible to measure general progress. The optimistic verdict is that the U.K. is doing as well as its partners so far. But it is must be qualified by an appreciation that the U.K. is absent from the huge Japanese-U.S. dominated petrochemical developments and the nuclear power programme where the French and Germans have won firm orders with the Americans also having a good chance of obtaining a slice of the cake. Against this should be set the fact that Britain is the only supplier—apart from the U.S.—heavily involved in defence contracts.

Within the frame-work of inter-governmental collaboration, the investment conference held at Persepolis in November 1973 resulted in agreement in principal or commitment to serious negotiations on 17 joint ventures (most of which had already reached a fairly advanced stage by the time of the Irano-British Joint Ministerial Conference in the summer of that year).

Uncertain

From an initial engagement through feasibility studies, the formulation of a partnership agreement, successful application for a license, and further procedural negotiations to actual implementation of a project and the final consummation of production is inevitably a long and uncertain process. By this criteria progress seems satisfactory with a dozen of the 17 having received licences. Massey Fergusson should soon start assembly of tractors in partnership with the Industrial Development and Renovation Organisation and may proceed from there production of Perkins diesel engines. British Leyland—already well established with Iranian investors in the production of vehicles—will soon expand output of diesel engines at Tabriz at the rate of 5,000 a year ranging from 90 to 240 h.p.

While both these developments would probably have occurred regardless of the governmental collaboration, the Acrow Group's joint project with IDRO, the IMDBI and private shareholders might take the prize for speed of implementation. The $8m. heavy-engineering plant for manufacturing vessels, heat exchangers and other requirements of the petrochemical sector, as well as on-shore and off-shore oil installations, is scheduled for opening in November. A second phase expansion doubling capacity at an extra cost of $3m. is planned while a separate marketing company for the full range of Acrow products is to be established.

Mr. Stanley Wilce, executive director of Acrow, says, "I don't think we had preferential treatment. We just pursued it more forcefully than others." He talks highly of the aptitude of Iranian workers and harmonious co-operation and the Government training scheme at Karaj but—like many others—refers to the dearth of middle-management talent in the country.

An IDRO subsidiary is constructing a new plant for the manufacture under license of Com Air portable compressors, civil engineering tools and small compressor units at Tabriz and as sole distributor is selling the U.K. company's products at the rate of over £1m. a year. Alfred Herbert's have also concluded a licensing agreement with IDRO for production of their machine tools while Hawker Siddeley is taking a 15 per cent. stake in a plant, again involving IDRO and also other Iranian interests, to make diesel engines.

Guest Keen and Nettlefold have agreed with a private partner on the scope of a project for manufacturing clutches, propellor shafts and other motor components, but the question of the site remains unresolved with the partnership still seeking to establish the plant at Isfahan where State policy is to restrict industrial development. In conjunction with the IMDBI, the great catalyst for Iranian industrialisation, Imperial Metal Industries have received a licence for the production of semi-fabricated copper goods and British Oxygen for welding equipment, but both appear to be holding back awaiting clarification as to what in practice the workers' participation decree will mean.

Licensing

Within the context of the Persepolis conference the biggest involvement of all should be that of the British Steel Corporation which is almost certain to participate in one of the gas-reduction companies planned by Iran (a subject examined in another article). While the projects of some companies which emerged from the tent there are hanging fire, other British concerns like Bridon, Pilkington's, Crane Fruehauf, and Smith's Industries have pursued negotiations leading to licensing agreements independently. Bridon, in particular, has moved fast and successfully. It will be taking a small equity interest in a $17m. project for making high-tensile steel wire and rope on which construction has just started with production scheduled to start in the first half of next year.

Quite apart from the Persepolis 17 over 100 British companies are involved in joint-venture negotiations. With Iran now flush with foreign exchange and its industry trying to satisfy a voracious home demand, the old misgivings posed by the Government's demands about export commitments and doubts about remittance of profits from trading activities have waned. Now the stumbling-blocks are more the question of workers' participation and, to a lesser extent, the official directives on the siting of new projects; as well as the old problem of administrative delays and red-tape.

While the £102m. oil-for-goods agreement clinched by Mr. Peter Walker, then Secretary of State for Trade and Industry, early in 1974 is unlikely to be repeated a new and potentially very large dimension in Anglo-Iranian economics was given by the protocol of January this year. Signed by Mr. Peter Shore, Secretary of State for Industry, and Mr. Fereidun Mahdavi, Iranian Minister of Commerce, the document contains no price tag—it was Mr. Shore who on his return from Iran gave a figure of $1bn. The sum was very much less than those of the French, Italian and Japanese bilateral accords on economic and technical co-operation. Yet they should all be considered notional, with the agreements being very much a framework.

The possibilities can be seen, however, from the fact that the British study on the electrification, expansion and part-re-routing of the Tehran-Tabriz railway—which was included in the protocol—could lead to contracts worth well over $1bn. Involved with GEC, John Laing, Sir Alfred McAlpine and Transmark (British Railways' Consultancy arm) is an Italian consortium led by Impregilo, but the Iranian wish seems to be that the British should be basically responsible for undertaking the work.

Within the scope of the protocol a British consortium including Cementation, Taylor Woodrow, Ove Arup, Llewellyn Davies, S. G. Warburg, and York Rosenburg have reached preliminary agreement on the construction of five hospitals and training of staff which should result in a contract in the region of £100m. The provision for U.K. participation in the construction of 100,000 housing units could lead to a very large deal for GKN Building Design Products. In the same context Redler Conveyors, Norwest Holst Construction, and the consultants Haiste and Partners are talking about gain silos.

Negotiations on implementation of the provision about U.K. shipyards building 15 merchant vessels should be under way and the protocol also reaffirmed Iran's intention to buy Concorde. Hopefully, the appointment of the National Freight Corporation as consultants to Iran on the movement, storage, and distribution of freight will lead to orders. Particularly significant was the emphasis placed on training in respect of which the Shah apparently gives Britain a high rating. An agreement is expected to be signed soon under which 7,500 young Iranians would come to the U.K. under various schemes over the next five years.

Outside the scope of the protocol Millbank Technical Services is responsible for the setting up of a new Army apprentices' school—only the tip of the iceberg of its heavy involvement in Iranian defence including the very large ordinance factory being developed near Shiraz under a great deal of secrecy. Wimpey-Laing are known to be particularly active in this project and the bulk of (unannounced) contracts being undertaken by British contractors has come through MTS Ordinance, it is believed.

Architect

Above board, Marples Ridgeway have been awarded a $110m. contract for the construction of 300 kilometres of highway in the south-east of Iran and Costain's are known to be on the verge of signing a very much larger one. Fairclough and Bovis have established a presence while over the past year there has been a steady influx of architects, consultants and chartered surveyors in the boom capital that is Tehran.

Conversely, the Shah's own concern about Britain's economic well-being was shown by the extension of the $1.2bn. loan facility to Britain last year, $400m. of which was promptly drawn upon by the National Water Council. With diminishing surpluses in prospect, no further succour of that kind will probably be forthcoming, but the Shah no doubt will continue to watch for investment openings in blue-chip British companies which can offer Iran advanced technology. While he may publicly scold Britain for indiscipline and laziness, the Monarch knows that it has expertise to offer. For their part, U.K. business can only become more interested in the opportunities for investment in Iran where profits can be made and workers are not allowed to strike.

Richard Johns

هكذا من الأصل

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A radical scheme to force companies to offer 49 per cent. of their shares to their workers could have a profound economic effect. Nervousness among investors has not been entirely dispelled.

Workers' shares

A SCHEME to make major manufacturing companies offer 49 per cent. of their shares to employees and the public might be termed a peculiarly Iranian version of the social contract. "We feel this will strengthen relations between all elements involved in manufacturing: it will encourage greater production, a greater sense of belonging and a greater sense of social acceptance," says Finance Minister, Mr. Husbang Ansari, who has been responsible for drawing up the details of the scheme. In short the scheme is an attempt to achieve a more equitable distribution of wealth and prevent the accelerating gap between rich and poor being enlarged by industrial fortunes currently being made (the rate of return is often as quick as one year). Thus the aim is both social and political as well as purely economic and is likely to have important effects both on company investment, company disclosure and the stock exchange quite apart from the political and social field.

The scheme was carried out on an experimental basis as far back as three years ago and in all some 37 manufacturing companies issued shares to their employees. However, it seems that the employees were not particularly quick to respond and the companies themselves were obliged to fund the share purchase. Then on April 24 this year the Shah decided to expand and review the scheme, details of which were announced on July 17.

"There is no difference at all between foreign and Iranian companies. We can have only one set of rules," according to Mr. Ansari. In all 320 manufacturing companies, foreign and local, have been singled out by the Government to distribute 49 per cent. of their shares. The vast majority of these are still private concerns. The total registered capital involved in these 320 companies is over \$1.5bn. Initially 106 companies have been selected to start the scheme and they have been chosen on the following criteria: registered capital must be 100m. rials or over (\$1.5m.); or fixed assets must be 200m. rials (\$3m.) or turnover must be 250m. rials (\$3.75m.). In addition they must have a production record of five years.

Revision

These criteria are liable to revision in the future, according to Mr. Ansari. Included in this list are virtually all the major companies in the automotive sectors—Iran National (the first company to initiate the scheme in its experimental phase), Citroen, Jeep (GM), British Leyland, Moratab (Land Rover assembly) plus the tyre manufacturers B. F. Goodrich and General Tyres. Twenty textile companies are included, so are the big footwear manufactures—Melli Shoe, Wien, Bella and Iran Industrial Shoe. On the chemicals side Esso and Pars Oil are named while a number of foodstuffs and agro-industrial companies are also included. These 106 companies have a combined registered capital of \$707m. They will be required to have initiated share offerings to the public by the end of this Iranian year, March 1976. A second batch of 108 companies will then be requested to do the same by the end of the following year and a third of 106 by the end of March 1978. A time limit of October 22, 1978 has been set for the completion of the entire operation.

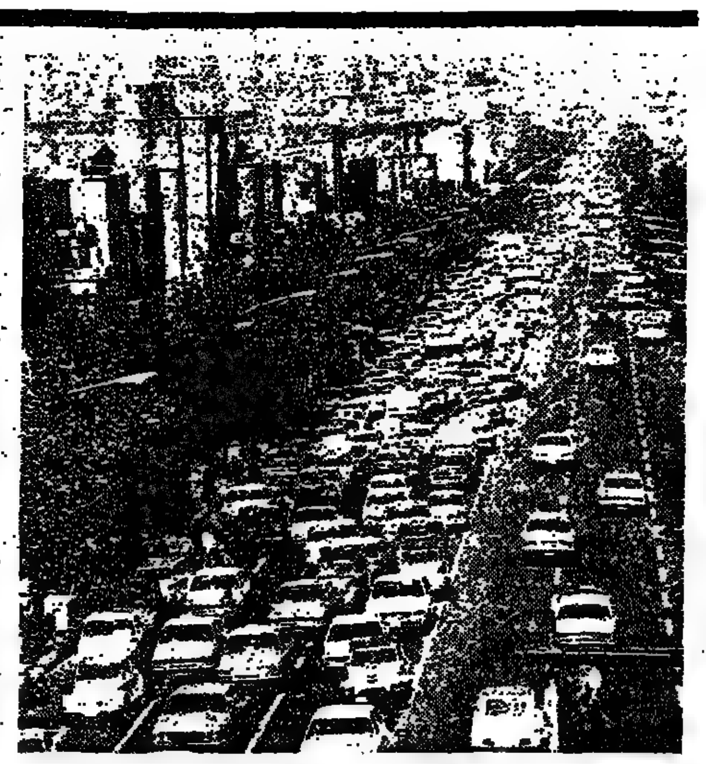
This is not going to be an easy exercise. It is reckoned that some 1m. industrial workers will be eligible for shares and a further 2.7m. in the agriculture sector will also be able to participate. Shares will be offered first directly to the companies' own employees then to those in other enterprises and finally to farmers. To purchase, a worker must have been with his company for a minimum of three years. In order to facilitate such purchases the Government is setting up a special credit institute with a 1bn. rial (\$15m.) capital from which industrial workers can obtain a maximum of 100,000 rials credit and agricultural workers 50,000 rials. The loans will be for ten years at a four per cent. concessional rate.

The idea is that the purchase loan should be repaid either through dividend or capital gain on sale (which will be free of tax). No share bought via a loan can be sold until the loan is repaid—which could be ten years. On the other hand those that pay cash can dispose of the shares immediately. One interesting point to emerge is that the scheme shows no clear guidelines as to whether it would prefer retention or sale of shares—or in other words whether income via dividend is favoured over capital growth. Secondly if one aim is to foster a sense of company loyalty and belonging what happens if the workers main concern is to sell quickly and buy a new car?

Not all shares are likely to be taken up by those they are offered to, and accordingly a National Investment Company is going to be created to facilitate sale to the general public. The National Investment Company will have a 10bn. rials (\$150m.) capital subscribed 35 per cent. by the Central Bank, Bank Melli, the Central Insurance Company, Iran Insurance Company, and the Industrial and Mining Development Bank. The remaining shares will be offered to the public. No individual will be able to purchase more than 500,000 rials (\$7,500) worth of shares offered for sale by the investment company.

Accountancy

The value of the shares which the companies sell under the scheme will be evaluated on the basis of average returns over the past three years. Mr. Ansari considers this to be an "incentive to maintain accurate accounts." Certainly a number of hitherto private companies have enjoyed the privileges of keeping their books closed. One important upshot of the scheme is going to be improved accountancy and more properly declared tax returns. No tax will be paid on the 49 per cent. share sale provided the transaction is carried out on the Stock Exchange or the proceeds of sale are ploughed back. To facilitate the sale, however, it is expected that the companies will be under pressure to reduce the par value of their shares which at present are high—a drop from the average 10,000 rials to 1,000 rials has been suggested. Companies will not be permitted to issue ordinary and preferential shares in any new capital restructuring.



The midday traffic jam in Tehran.

Both local and foreign investors have shown considerable nervousness prior to the announcement of these measures. The feeling was that this might make investors more reluctant to invest and frighten foreign investors away because they would not get an adequate rate of return or that their management control might be jeopardised. On the question of returns, the authorities clearly believe that in the fast expanding economy and with low taxation Iran still offers good opportunities. On the second point Mr. Ansari has gone some way in trying to assure foreign investors over their management agreements. For instance in a number of joint ventures certain clauses concerning budgetary control and voting rights have been written in. "We have no objection to these agreements," Mr. Ansari says. However, they must not violate the spirit of the new scheme.

For the moment many local and foreign businessmen are scratching their heads as to how precisely this scheme will affect them. But the answer is probably that no one knows. It is a step into the unknown which will take a good three years to sort itself out.

Robert Graham

A highly selective policy of buying into blue chip Western companies has resulted in three purchases. Aid loans at concessional rates are unlikely to be expanded quickly.

Investment

ONE OF THE myths surrounding "petrodollars" is that oil producers are buying into blue chip companies on a grand scale. This myth certainly needs to be exploded in the case of Iran. What has happened is that much publicity has been given to discussions or the rare concluded deal, and this in turn has generated the impression of some large-scale initiative. The Iranians have been highly selective and will continue to be so. On the other hand the string of suitors trying to interest Iranian participation continues (which incidentally is probably another reason for the erroneous impression being created).

"They come to us, we don't go to them," says Finance Minister, Mr. Hushang Ansari, who heads a special council that vets all possible purchases into foreign companies. The council consists of, in addition to the Finance Minister, the Ministers of Foreign Affairs, Agriculture, Industry and the Plan; the final say being held by the Shah, who takes an active interest in all such deals. According to Mr. Ansari the criteria laid down for any Iranian investment in a foreign company is based upon the following considerations. Any venture must take into account the country's long-term needs, whether in the supply of raw materials, access to technology or access to markets for retailing Iranian industrial products. He stresses that the aim is not speculative. "We do not have anything against making money, but we do look at the proposals in the context of our long-term development."

Technology

So far only three deals involving an equity purchase of a foreign company by Iran have materialised. The first of these to be concluded was the purchase in September, 1974, of 25.04 per cent. stake in the German Krupp group—the shares being bought from one family, the Quandts. This deal provides access to a wide range of industrial technology including steel and armaments. No price tag was disclosed but a DM10m. joint investment company was set up in Zurich. This was then followed up this month by purchase of an undisclosed stake in a Brazilian subsidiary of Krupp, Krupp Metalurgica Campo Limpo, which supplies parts to the Brazilian motor industry. At the same time it was announced that Iran would be involved in another Brazilian venture, Krupps Industrias Mecanicas in Minas Gerais—a plant due to begin producing next year heavy machinery for mining, metal and cement industries. This latter involvement will be via the Zurich joint investment company.

The third signed deal concerned the purchase earlier this year of a 25 per cent. interest in Deutsche Babcock and Wilcox, the German subsidiary of Babcock and Wilcox, the power, process and general engineering and construction equipment group. This thus complemented the existing presence in German heavy industry. The price involved was DM178.3m.

The most widely publicised of Iran's deals, with Pan Am, has yet to materialise and is unlikely to do so. The basis of the deal is a rescue operation whereby Iran supplies a \$245m. ten year loan, which would give it about 13 per cent. of Pan Am's stock. Iran would also buy for \$55m. cash a 55 per cent. stake in Pan Am's profitable hotel chain, Intercontinental Hotels. Despite intensive negotiations the deal has proved extremely complex, and it has run up against serious difficulties. The Iranians are having second thoughts, partly because of Pan Am's financial position and partly because the deal after all does not really fit in with the requirements for investment in foreign companies.

Uranium

The other possible foreign stakes under discussion include the purchase of the 20 per cent. Burmah Oil shareholding in BP and a substantial stake in ENI's downstream operations. Clearly in these two instances Iran sees a strategic interest providing both access to technology and markets. Also in the energy field, Iran has acquired through a mixed Irano-French company, 10 per cent., of France's 25 per cent. share in the Eurodif uranium project, which will be the first European plant for the production of enriched uranium.

Quite apart from applying strict criteria, there is another important consideration now. In the first flush of vastly increased oil revenues last year the Iranians became expansive: they actively looked around for opportunities for their surplus funds. However, such have been Iran's own internal needs coupled with inflation abroad, that the huge surpluses originally imagined are rather illusory. This year Iran may even have a payments deficit—much earlier than initially envisaged. Thus the Iranian authorities have become more cautious, and it is unlikely at least in the near future, that we shall witness the generous offer of aid to developing nations and the loans to industrialised countries.

In June the Minister of the Plan, Mr. Abdol Majid Majidi, said that foreign aid would only be given now where it was "vitally" necessary. This was the first public sign of a generally more cautious approach. Last year Iran provided Britain and France with loans of \$1.2bn. and \$1bn. respectively. (So far \$400m. and \$300m. respectively have been utilised.) These loans were at market rates, whereas concessional rates were applied to pledges of major aid commitments to Afghanistan, Egypt, Pakistan and India. As much as \$1bn. each was said to have been pledged. Rather than outright aid the Iranians have preferred to offer, say, crude at lower prices or fund joint ventures. This approach seems to be working particularly fruitfully with India, where a joint shipping company has been established and an iron ore project set up at Kudremukeh for which Iran has agreed to provide the \$630m. investment.

Overall Iran has pledged \$10bn. in bilateral and multilateral aid. Now that the domestic economy can absorb virtually all income generated, the aid programme will undoubtedly become less expansive and this figure will not increase very substantially in the short term.

Robert Graham

A shortage of experienced and skilled workers is creating severe delays in the bid for greater industrialisation. To combat this the country is now attempting to recruit technicians and experts from all over the world.

Manpower

THE BELATED but sudden coming of the industrial revolution has caught the Persians badly short of skilled and experienced manpower. In fact, fast approaching crisis proportions, Iran's need for an extra 700,000 workers and specialists has become the worst bottleneck in the economy and is now threatening to delay the country's plans for industrialisation-at-all-costs.

To make good this shortfall, the Government has resorted to a series of corner-cutting and industrial-appeal programmes that range from crash trainee courses to worker-benefit schemes and profit sharing. More radical, however, is the decision to import 60,000 technicians and experts in a massive recruitment drive that got under way carlier this year in major cities throughout the world: a good proportions of these "imports" will come from such countries as the Philippines South Korea and India.

The alternative to such draconian measures, says one highly-placed Government official, would have been "a delay of at least ten years in many projects currently under way in Iran to-day."

Success is indeed imperative. Iran is counting on industrial might to tide her over the day when either the oil well runs dry or the world no longer needs oil. An essential ingredient of this plan is an adequately trained labour force.

Not even the new note of thrift recently introduced by Iran's economists will be allowed to get in the way of Iran's plans for manpower. With a budget of $72.3m., the the Ministry of Labour has been told that on no account must it scrimp on the country's need for specialists and technicians.

At last count the Fifth Development Plan (1973-78) was expected to create some 2.1m. job openings in Iran, including position in nuclear technology and civil engineering and a multitude of jobs in the badly-hit teaching and medical professions. Iranians would be able to fill only two-thirds of these vacancies, Labour Minister Amir Ghassem Moini warned: of the remaining 720,000 or so, foreigners would be offered 90,000 and Iran would have to make do as best she can with the 636,000 that can't be filled.

But, halfway through the Fifth Plan period, the manpower shortage is already making itself sorely felt: wages in the Persian year 1353 (March 1974-1975) soared 17 per cent. and affected in almost direct proportion the country's unhappy brush with inflation. Good secretaries can now take their pick from scores of $900-plus-a-month jobs and a truck-driver, for example, can command weekly salaries in the $180-range (up from 3,000 rials in 1953 to 12,000 rials to-day). Tehran matrons complain that home-help can't be found and both private company executives and ministry officials report that projects are being held back months because sufficient manpower — chiefly middle-level technical staff—is virtually non-existent.

Initially there was talk of filling all 726,000 vacancies with foreigners. But the task was to prove tougher than Iran had bargained for. The Persians are a proud people—a pride reinforced by the Shah's oft-repeated vision of joining the world's top five powers within a decade—and many, it seems, could not understand why a country with such aspirations should need so much help from the outside.

Increasingly aware of the potential dangers of importing so many foreigners into Iran, the Ministry made clear late in February its decision to exclude all requests of semi-skilled and skilled labour from the country's recruitment drive, thereby cutting back numbers to a more manageable 90,000. During the intervening six months the Ministry has quietly let it be known that the magic number of 90,000 does, in fact, include the 30,000 foreign specialists who are already working in Iran. Of the 14,000 specialists and technicians that East Asian governments have promised Iran, some 1,278 are already here: another 5,000 are expected to fly in before the end of August, bringing the total number of working expatriates in Iran to-day to over 36,000.

Many of the newcomers will take up immediate positions in the medical field (where there are currently 22,600 jobs a-begging) or join Iran's hard-pressed education sector which Fifth Plan projections show will be short of 57,400 teaching staff. Already 1,500 East Asian doctors have elected to come to Iran on two-year contracts with fringe benefits that include either free housing or a rent subsidy of 20,000 rials a month.

The manpower shortage runs the length and breadth of the country and cuts through every sector of industrial and professional life. Worst hit, reckons the ministry, is the construction industry: not only is the country badly short of building material — 2.3m. tons of cement, 1.6m. tons of steel and some 5.6bn. bricks — but the builders are currently in the job market with some 50,000 vacancies to be filled, vacancies that can't be filled by foreign labour.

Barren

Regionally, it is the hot and barren south of Iran that is feeling the manpower pinch most.

The full dimensions of Iran's manpower shortage did not become clear until the Fifth Plan budget was upwardly revised to $69.6bn. last summer. Whereas the planners had originally foreseen only 1.8m. job openings, now they were talking of 2.1m. that could be filled by only 1.4m. Iranians.

Immediately following the July revision, the Labour *Ministry* penned a wide-ranging hiring policy that with subsequent revisions — some major—has gradually narrowed to what Iran now considers the Ideal Foreign Employee.

He (rather than she) will be single and with a specialist knowledge that would require a training period of between five to 15 years. To avoid cultural shock and disappointments that frequently come when dealing with the rough and ready of Iranian village life, the Ideal Employee will come from a country with a similar standard of living as Iran's. He will be approached only with the blessing of his Government and his final hiring will be drawn up on a temporary or contract basis.

To date only two firm letters of intent have been signed by Iran—one with the Indians for 6,000 workers and a second with the Philippines in mid-January for 3,000, not counting the 100 or so Filipino domestics who have been flown in during the past six months and the several hundred aircraft mechanics who have been helping out at Iranair since 1968. A similar letter of intent may soon be reached with South Korea following a "general understanding" that Seoul is prepared to send 5,000 specialists and technicians.

Closer to home and under the auspices of CENTO and RCD—the largely moribund Regional Cooperation for Development organisation with Turkey and Pakistan—300 Pakistanis have recently come to Tehran to practise medicine. Tehran is not so keen to put out the welcome mat for workers from Turkey: migrant Turkish labour is more familiar with the greater comforts of life in Germany and might prove more demanding.

Despite such precautions, Iran's first adventure with Government-sponsored labour imports quickly turned sour. The 800 South Korean and Pakistani truck drivers who were brought in to clear the badly congested southern ports soon became fed up—the South Koreans (on monthly salaries of $590-plus) with their squalid, albeit free, accommodation, the Pakistanis with their outrageously low salaries—and most elected to go back home. As a result, the Government has decided not to bring in any more foreign truck drivers and, instead, launched a crash trucking programme that is currently turning out some 600 drivers (of both sexes) every four months.

A large number of the foreigners (some 45,000) will, however, be recruited privately. Provided largely by Japanese and Western companies involved in such specialist-concentrated projects as nuclear and petrochemical plants, turnkey hospitals and steel mills, many will come in under the aegis of the billion-dollar agreements that Iran has signed with different Governments during the past 12 months.

Getting the right man for the right job is obviously a vital factor of Iran's recruitment drive. Mistakes — once in Tehran — are proving costly with many a private company having to foot bills in the thousands-of-dollars range. For example, a "dropout" family from the U.S. (that is a man plus family who is flown to Tehran, found housing, schooling facilities, etc., and who then drops out, his contract broken) can cost $25,000 and up.

Meanwhile, the Government is busily working towards the day when Iranians will be able to replace the foreigners. The main arm of the Ministry here is the Vocational Training Board, which is now responsible for turning out some 15,000 trained Iranians each year, and the placement people, or labour exchanges, whose numbers are currently being increased from 50 to 300.

Based on guidelines drawn up in 1973 by an International Labour Organisation team, Iran has launched a massive training programme that by the end of the Fifth Plan in 1978 will see the number of Government vocational and training schools reach the 500-mark and increasing use made of a sophisticated network of 200-plus mobile training centres. The on-site training scheme which is run in co-operation with different industries is now being beefed up and includes among its participants such giants as auto and truck makers Iran National, many of the big textile manufacturers and National Iranian Steel. Last, but not least, come the newly-created four-month crash programme to give general job direction to what the Ministry euphemistically terms "dropouts"—the rural and usually unskilled people who drift to the cities in search of a better life.

Skills

Hardly surprisingly, one of the biggest difficulties currently encountered by the Ministry is the location of qualified teachers to train the trainees. Earlier this year a three-year agreement was signed with the ILO which undertook to train 800 Persian instructors a year at its industrial training centre at Turin, Italy. In addition, the ILO is currently helping set up a training centre just outside Tehran in Karaj which when completed in two years will be able to turn out some 4,000 Persians a year with skills ranging from pipe-welding to lathe machinists and draughtsmanship.

The Ministry's new plans don't exclude foreign assistance. In an agreement signed earlier this year, Britain will accept 1,600 Iranians annually for training over a five-year period and put up a 700-annual-capacity workshop at Qazvin, a major new industrial centre that lies 150 km. west of Tehran.

By the end of the Fifth Plan Iran hopes to have trained more than 72,000 "top" technicians, 132,000 "second class" technicians and at least 656,000 semi-skilled and skilled workers. But, as Iran is discovering, such training doesn't come cheap: a "quickie" four-month course at one of the Industrial Training Board's centres, for example, works out at 45,000 rials a head.

The trainees will be drawn increasingly from the ranks of women and seasonal agriculture workers. The potential role of Iran's students is reckoned to have been drastically reduced this year by the almost continuous political upheaval on campus.

First, the Persian woman whose potential—as the Shah noted recently—includes punctuality and patience. Of Iran's total 35m. population, the female sex accounts for just over half. But, apparently reluctant to completely shed the veil and step into the very masculine world of Iranian business to-day, the number of women at work is only some 1.5m. Of the country's 8,000 physicians, for example, only a meagre 500 are reckoned to be women.

Second, the seasonal agricultural worker makes up one third of the rural work force, and the Ministry describes him as "redundant to all intents and purposes." Thanks chiefly to increased mechanisation on the farm, between 4-5m. new workers are coming on to the market to be retrained for industry in new towns that will soon dot the country as part of an integrated larger plan aimed at consolidating land and village life and stemming the still substantial drift to Iran's urban centres.

Meanwhile, the Labour Ministry is pinning a large proportion of its hopes on the Persian abroad, a species whose numbers run into the hundreds of thousands and who, in the medical field alone, include some 1,230 doctors in West Germany that are badly needed back home. Together with entrepreneurs around the world engaged in such businesses as Persian carpets or real estate, they are now being increasingly wooed by the Government with come-ons that may eventually run to total exemption from military services.

Few pretend that the job of manning Iran's industrial dreams will be anything but up-hill—at least, until the end of the Sixth Plan in 1983 when, according to the Ministry, there should be enough skilled hands in Iran to turn to-day's dreams of industrial might into to-morrow's Persian powerhouse.

Liz Thurgood

Iran's long-standing ambition to be a major steel producer is now starting to become a reality. Within the next decade it should develop as a significant exporter of steel despite the rapid growth in domestic demand.

Steel

AS A comparatively wealthy and advanced developing country with its own iron and coal deposits Iran was, perhaps, late in entering the lists of the world's major steel producers. Making up for lost time the Government now aims to raise capacity from the 600,000 tons now installed to 14-17m. tons by the end of the Sixth Plan Period in 1983 to 20m. tons in 1988 which, if the target is fulfilled, would make the country a significant net exporter despite the very rapid growth in domestic demand anticipated of some 20 to 25 per cent. annually.

Iran's drive towards these goals has been a large boost by the technological advance involved in the development of gas-reduction of iron ore that should give it a marked relative advantage in the field of steel production. It is problematical whether Iran can achieve the capacity projected for 1983 when consumption of steel products is expected to reach 12m. tons at the least if consumption rises by 20 per cent. annually, but perhaps as much as 18m. tons. Iran should then be broadly self-sufficient (although inevitably some specialised varieties will still have to be imported).

The ambition to become a steel producer dates back 40 years to before World War II which brought to a halt work on a blast furnace being built by the Germans. Frustrated by Western reluctance to finance a plant and also difficulties in locating suitable iron-ore, as well as coal reserves Iran turned to the Soviet Union which early in 1966 agreed to supply and construct the Aryamehr steel mills at Isfahan (together with a machine-tool factory at Tabriz), in exchange for supplies of associated natural gas through the IGAT trunk-line from the oil fields of Khuzestan. Involving the development of iron deposits at Bafq and coal deposits at Kerman, the construction of the railway from Isfahan to the new mines, a new town to house the steel workers, and the provision of infrastructure, the creation of the Aryamehr steel works was an immense undertaking.

Formally inaugurated in the spring of 1973, the new works had its teething troubles, particularly with coking coal, before it started marketing long products in the latter half of 1973-1974, a year during which it was officially reported to have produced 400,000 tons of cast-iron and 250,000 tons of steel products.

Reinforcing

As it was, the pressure of demand locally was such that the Shahryar industrial group invested in mills using scrap and imported billets for rerolling into light structurals and reinforcing rods which came into operation as early as 1966. It now has a broad range of facilities including 400,000-ton electric melting and continuous casting shop. Also in the private sector the Ahwaz Rolling and Pipe Company went ahead with its own plans for producing welded pipes. Meanwhile, the National Iranian Oil Company established its own plant to manufacture pipes for oil, gas and water.

The National Iranian Steel Company and its Soviet advisers solved the problem of coking coal by importing from West Germany an amount sufficient to create the right "mix" with the indigenous fuel from the mines in Kerman province to the south-east and the three others in the Alborz mountains with the foreign content now said to account for 7-10 per cent. of the total.

Since the autumn of 1973 the $380m. plant is reported to have run at more or less the full

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The automotive industry is one of the first industrial sectors to begin to "take off." As such it offers an interesting reflection both of the aspirations and problems in Iran's nascent industrial base.

Motors

AT PRESENT the chief characteristics of the automotive industry are quite simple: on the one hand there is an ambitious programme of production to satisfy local needs, with surplus to export, and an aim to achieve 100 per cent. manufacture of all components locally by 1980. On the other hand this it matched by a current situation of demand far exceeding supply and a continued heavy dependence upon essential imported components.

Iran has either established, or is about to establish, manufacturing facilities for a very complete range of vehicles, from tractors, buses and mini-buses through to jeeps, pickup trucks, light and heavy trucks in addition to passenger saloons. This is being carried out principally by the private sector and in collaboration with leading international manufacturers such as Chrysler, Mercedes, GM, British Leyland, Volvo and Renault-Citroen.

The largest single company operating in the automotive sector is Iran National (principally owned by the Khayami family) which supplies 75 per cent. of the car market and 90 per cent. of the bus market. Iran National on the basis of a licence to produce four cylinder cars granted in 1964 assembles the Paykan—a version of the Hillman Hunter which was set up by the former Rootes Group and now taken over by Chrysler U.K. From an initial production in 1967 of 6,654 it went up last year (1974-75) to 55,525 and this year will probably touch the 100,000 mark.

While Iran National through its Paykan dominates the car market competition comes from both Citroen and GM's Chevrolet Iran. Chevrolet produces the most expensive saloon assembled in Iran—the Chevrolet Royale—and this year will probably make 15,000 units. Citroen markets the 2CV, and although it will market 12,000 this year the model has not been particularly successful and will shortly be replaced by assembly of the Renault 5 model.

All three producers are heavily protected in the local market by high import tariffs. This has enabled the industry to get on its feet. It has also been aided by the rapid increase in a substantial portion of Iranians' income. Demand has suddenly outstripped supply in a dramatic way. There is a six months waiting list for the Paykan with cash paid in advance and many are not deterred by high black market payments to secure early delivery. Indeed such is the demand that the government has had to order from the U.K. two lots of 10,000 Avengers (civil servants being given priority purchase).

Foundry

The supply situation has been further aggravated by problems affecting Iran National, which last autumn inaugurated a new foundry and engine shop as part of a $533m. expansion programme after initial investments of $45m. Iran National relies upon Chrysler U.K. for just over 50 per cent. of the components, although the aim is to eventually eliminate this and remove the word "assembly" altogether by 1980. Iran National makes no secret of its dissatisfaction with Chrysler U.K. This year it was promised 165,000 units (carburettors, electrical components, power train) but now as a result of industrial troubles at Chrysler this is unlikely to be higher than 145,000. This means that production, which could have been 135,000, will only be between 90,000 and 100,000. Further the company has also had difficulty in securing these U.K. units freighted through the Soviet Union. Bottlenecks on the Soviet railways and on the Iranian border have added to the delays and now Iran National has switched all its freight to be imported via ship at Bandar Abbas. At the same time it has initiated talks with Chrysler France and Chrysler U.S. to see if it can secure alternative supplies of certain components.

These kinds of problems have determined the Iranians to press even harder to achieve 100 per cent. local production, whether it be in cars or trucks. Since 1973 a factory has been operating at Meshed producing rings, bumpers and hub caps and can now supply over 70 per cent. of the local market. The industrial complex at Tabriz now has three diesel engine plants (Iran Deisel, Dorman Deisel and S.S. Leyland Deisel) and Volvo intends to establish another. Another major step forward was taken earlier this year when GKN signed a sterling 20m. contract to set up a components factory, which will produce clutches, propellor shafts, universal joints, and axles in addition to having a forge. It is not yet known where the plant will be sited or what shareholding GKN will take. In general foreign shareholdings have been small. For instance BL has a 9 per cent. share in Leyland Motors (Im.) a 26 per cent. stake in S.S. Leyland Deisel and no equity at all in the Morraths group which assembles Land-Rover and Range-Rover.

TRUCK MANUFACTURE (5-12 tons) AND IMPORTS

	Mercedes	B. Leyl'd	Volvo	Mack	imports	total
1974-75	4,720	1,100	980	915	2,210	9,935
1975-76**	6,500	3,500	2,400	2,300	8,550	23,100

** Estimates.

On the industrial and commercial vehicle side the principal foreign companies collaborating are Mercedes, British Leyland, Mack and Volvo. This sector is rapidly increasing and the proportion of imports will increase sharply this year. Over 80 per cent. of all domestic goods are handled by trucks and with the sudden surge in imports the government last year, despite some local protest was obliged to import over 2,000 trucks and 6,000 trailers. This year over 8,000 trucks are expected to be imported. Plans are in hand to raise truck production and expand the range. For instance British Leyland is currently discussing the possibility of establishing a plant to produce 28 ton heavy trucks. It is also likely that the government in view of its intention to have some 2,000 Chieftian tanks will need transporters—the current Russian ones being considered inadequate. There are also plans to boost bus production—mainly made by Iran National with Mercedes engines complemented by some Leyland double deckers.

Already confirmed is a major new private venture in which GM will set up a plant producing 335,000 vehicles a year, of which 160,000 will be cars, 160,000 trucks ranging from 1 ton to 28 tons and the remainder jeeps. Production is scheduled to begin some time next year with a target of 100,000 vehicles after the first three years. If one adds this to Paykan's plans for 500,000 cars by 1980 plus the growth of Renault-Citroen, Iran should be the biggest car and truck producer in the Middle East by 1980; the range being completed by expanded Land Rover production (currently under 4,000) and possible Japanese involvement in the pick-up/jeep sector.

These plans are accepted to be ambitious. In practice it is likely that they will have to be scaled down. It is not just a question of bottlenecks at the ports and shortage of skilled manpower which are the chief hurdles to overcome. There are other equally delicate problems to solve. Principal among these is the question of siting. So far the industry has concentrated assembly around Tehran. The Government, in a bid to prevent Tehran becoming overloaded, is exerting strong pressure on manufacturers to look elsewhere. GM for instance, is currently holding up its expansion plans precisely over this issue, reluctant to leave Tehran.

Then there is the question of rationalising the industry. Will every manufacturer rely on a separate plant to produce his engines? The manufacturers, though in broad terms licensed to operate in specific areas, nevertheless are in competition or certainly will increasingly become so, especially in the truck section. Because demand is so high, rising at almost 25 per cent. per annum, this potential competition is not yet felt. Again, assuming a continued high level of imported inflation on the imported components—in the case of the Paykan this year it will be almost 40 per cent.—protection will still be required against imported vehicles.

Targets

Finally, there is the whole question of production targets matched against local demand. New wealth is generating fast but cars are expensive. A de luxe Paykan costs 370,000 rials basic (£2,700) excluding the hidden cost of the advanced cash payment. With labour costs rising—plus imported inflation—the manufacturers will be obliged, unless restrained by the Government, to raise prices. As it is Chevrolet has just carried out a 24 per cent. rise.

Just under 160,000 locally made and imported cars will be bought this year, according to provisional unofficial estimates. Even with an annual increase in demand of over 25 per cent., and assuming a continued level of imported cars, there will come a time within the next four years of surplus production. This ideally should be exported. It is hard to see at the moment where this surplus would be sold, unless as part of a bilateral deal (already buses have been sold to Egypt and Romania on this basis). The same difficulty would probably apply to trucks.

But these are questions for the future and for the moment the industry is doing its best to catch up with demand.

Robert Graham

Steel CONTINUED FROM PREVIOUS PAGE

rated capacity with the Soviet-supplied blast furnaces performing well and capable of producing at a rate of up to 700,000 tons per annum according to Mr. Amir Sheibani, chairman of NISCO. They are evidently the best feature of the Aryamehr works. Informed observers, however, say that the complex is not ideally balanced and as yet cannot produce at its rated capacity.

NISCO is, in effect, a holding company having as its subsidiaries the five mining companies apart from the Aryamehr Steel Company. Faced with the challenge of the gas reduction projects planned by the separate State-owned National Iranian Steel Industries Corporation (NISIC), the other State agency which will concentrate on the gas reduction process, Mr. Sheibani is almost aggressive in asserting the profitability of the plant. He assures that from the first year it made a profitable return on the investment which included not only the steel-producing plant but also the mines and on infrastructure on a scale designed for the large expansion of productive capacity at Isfahan in hand and planned.

Protective

Moreover, he says that its products have a clear competitive edge over imports despite a substantial cut in the protective tariff—for which he claims responsibility—and the decline in world steel prices. With an output of 32 types of long products, for the time being it has helped to make Iran self-sufficient in some, like angles. Output from the private-sector Shahryar plants fell by some 9 per cent. to 371,000 tons of products in 1974-75 when the company's Shoush smelter began its first production of billets with a total of 40,000 tons recorded for the year. The company attributed the fall to the lower tax on imports and the reduced world prices, but nevertheless pressed ahead with the construction of its project.

Total consumption of steel in 1972-73 was reckoned to be 1.2m. tons of long products and 1m. tons of flat products, giving a total of 2.2m. tons which is reckoned to have risen to over 3.5m. tons in 1973-74 with the demand for the latter, almost doubling in one year. For the future the shortfall in locally-produced supply will grow until the next phase in the Aryamehr works expansion is complete.

The second blast furnace now under construction should be commissioned towards the end of 1976 bringing capacity and production of long products to 1.9m. tons early in 1977. Beyond that firm approval has been given for an increase in capacity to 6m. tons which may later rise to 8m. tons.

With hot and cold strip mills already on the drawing boards NISCO plans to start producing flat products in the coming expansion phases. Mr. Sheibani cannot say precisely when the third and fourth blast furnaces required to bring output to that level will be in operation, but the plan is that the Aryamehr complex should be contributing at least 4m. tons to the 1983 target and possibly as much as 8m. tons. He points out that the next generation of blast furnaces will be smaller than some under development in the West, but emphasises "We do not accept what is not proven and acceptable in the world of steel."

While that remark could be seen as an oblique dig at the other State steel organisations, NISIC would be equally emphatic that two of the processes being incorporated in the country's first gas reduction plant at Ahwaz are in commercial operation. The complex being constructed under a management contract with Kaiser Engineers International Inc. at an optimistically estimated total cost of $600m. is designed to produce 2.53m. tons of sponge-iron a year. Of this, three Midrex-Korff units will produce 1.2m. tons of sponge-iron, three Hyl units another 1m. tons and one unit of the as yet untried Thyssen Purofer process the remaining 300,000 tons.

The Purofer process is scheduled to be in operation by October, 1976, to be followed by the Midrex-Korff units in March, 1977, and the HYL ones in July, 1977, with the pelletising electric melt shop to be commissioned early in 1978. Of the 2.5m. tons of sponge-iron produced, 1.5m. tons will be refined into steel in NISIC's electric arc furnace for the production of billets and slabs which will be delivered to mixed and private sectors for redrawing. Most of the 1m.-ton balance is earmarked for delivery to private sector furnaces, in particular those of the Sharyar group and as feed material for the $200m. special steels project to be undertaken by Creusot-Loire with a prospective output of 150,000 in the first phase which is scheduled to be operating in 1979 to provide primarily for forgings and castings required by the vehicle industry.

Downstream

Policy is that the public sector should own and run basic steel-making capacity up to and including continuous casting except for private sector projects already in existence or under implementation. Public sector, mixed and private ventures are envisaged downstream, where the Ahwaz Rolling and Pipe Company (20 per cent.) and NISIC (80 per cent.) are partners in a project (to be managed by Swindler Dressler) whose arc furnaces and continuous casting plant is to produce 2m. tons of steel a year for processing by ARPCO and the Shahrya group.

At least two other NISIC integrated steel complexes based on the iron-ore gas reduction process should be well-established by 1983 at Bandar Abbas and Isfahan providing between them another 3m. tons or more liquid steel with the first concentrating on flat products and the second on long products. Both are planned to be in operation before the end of 1980 although it has not as yet been decided which of the three competing processes will be used.

In collaboration with Finsider of Italy, NISIC is to construct the Bandar Abbas steel mill fed with gas from Queshm with a production of 2.8m. tons of liquid steel which will be processed into hot and cold rolled sheets. The plan is that Finsider (together, it appears, with Italsider - which will probably manage the plant in return for providing much of the machinery) will take an equity participation in the rolling sections. Preproject and feasibility studies are complete and the site is selected, but more work remains to be done on the infrastructure, in particular sea water desalination and special port facilities. It is hoped that the project engineering will begin in the autumn and that the integrated works, estimated to cost $3bn., will be in operation within five years.

At Isfahan where the aim is a capacity of 1.2-1.4m. tons of liquid steel the designated foreign partner is the British Steel Corporation. Gas would be supplied from the Iranian Gas Trunkline. The original intention was that the plant should produce flat products and the BSC proposals—which indicated a cost in the region of $1.7bn.—were drawn up on this basis. Recently NISIC decided on long products and now expects the revised project study to be ready next month and engineering to start in October with a completion deadline in 1980.

Dr. Amin says that he is satisfied that Isfahan already has the infrastructure to support the problem (though this does not seem certain). NISIC would like BSC to take an equity stake in the project, which would make the deal much more profitable for the U.K. concern, but it is doubtful whether it can do so in its present financial state.

Official target still is that two other NISIC steel plants will come into operation before 1982. During the current Iranian year the West German consortium composed of Krupp, Korff-Klockner, Saltzgitter and Mannesmann are to complete their full feasibility study for an export-orientated plant at Bushehr or Kangan (from whose field it would receive its gas) producing 3m. tons of liquid steel a year. The intention is that it should be operating by the end of 1983. It remains to be seen if NISIC can manage a fourth plant by then, let alone the smaller 400-500 ton complex projected for Meshed which would receive its gas from the Sarakhs field.

NISIC is responsible for the exploitation of the iron-ore deposits at Gol-e-Gahar which, like the Kerman coal mines, will be linked with Isfahan and Bandar Abbas by the new railroad now under construction. Preliminary exploration indicated reserves of 200m. tons with an average Fe content of 60-65 per cent.—with indications of much more to be finally proven. The plan is that Gol-e-Gahar should supply the gas-reduction plant planned for Isfahan and part of the requirements of the Bandar Abbas project. The balance of the corporation's requirements will be imported with the bulk coming from India. Iran is to finance the development of the Kudremukh mines and take the entire concentrated production at the rate of 7.5m. tons annually over a 20-year period.

The Shah's target of a 15m.-ton steel output by 1983 may not be met. But it is a goal which NISCO and NISIC, in healthy rivalry to each other, are vigorously pursuing. At least, Iran can look forward fairly confidently to being a net exporter in the second half of the next decade and one of the more significant producers in the developing world.

Robert Graham

The Government's efforts to boost agricultural production is having only limited success. Snags in other sectors of Iran's economy are slowing down progress. One answer, as the second article suggests, may be sweeping plans for greater control of land use.

Food shortfall

THE IRANIAN farmer has never had it so good. Avidly courted by massive Government funding and with a more than ready market for his produce, Iran's 3m. plus farmers are currently riding the crest of an unprecedented boom.

But, as Iran turns increasingly from the donkey and ploughshare to the tractor and combine-harvester, it is becoming readily apparent that money alone won't solve the multitude of problems that currently bedevil life on the farm.

In fact, half-way through the Fifth Plan (1973-1978), progress in the sector is still only patchy. Despite a massive channeling of funds (in the form of loans and subsidies) to the Iranian farmer, the arrival of all the latest equipment from the West and the launching of some 500 small- and large-scale mechanised projects, agriculture is still lagging sadly behind the country's booming industrial sector.

True, there is an overwhelming air of optimism at the Ministry of Agriculture and Natural Resources these days. Minister Mansour Rouhani says that the agriculture "snowball is finally starting to roll" and his top men are currently predicting "bigger and better" harvests for 1975.

Much of this optimism is based on recently released figures which show that the Persian year 1353 (March 1974-1975) was one of the best-ever for the Iranian farmer: the agriculture growth rate officially hit the 6.5 per cent. mark—just points short of its revised target of 7 per cent.

But, despite such official jubilation, most considered opinion outside the Ministry believes real growth in agriculture last year was no higher than three per cent.

Irrigation

For the first time in Iranian history the basic constraint is not finance. Thanks largely to the quadrupling of oil prices in December 1973, funding in the sector has been almost doubled from an original 121bn. rials to 239.6bn. rials. Together with investments expected to be made by the private sector plus $1bn. for rural development and $2.4bn. for irrigation work, total agriculture allocations were put in the unprecedented range of $8bn.

Not even the Government's recent decision to tighten its budget and rejig priorities is likely to make much of a dent in agriculture funding. As one deputy minister puts it: "Maybe a couple of feeder roads will have to go: less money for workers' housing, maybe. But nothing major."

But, like many other sectors of Iran's economy to-day, bottlenecks have developed that are threatening to temporarily slow down progress. Imported equipment is not getting through the badly-congested ports fast enough: projects have been held up because there is a nationwide shortage of construction material to build infrastructure, new barrage dams and the like: and, the ministry is currently crying out for qualified personnel not only to man their desks in Tehran but also to go out to the provinces and convince the backbone of Iran's farming community that mechanisation will pay quicker dividends than the traditional methods of yesteryear.

Success of some sort is imperative. Demand for agriculture produce in the newly-affluent Iran is currently running at 12.5 per cent. a year and is expected to further increase to some 14 per cent. over the next decade as the oil wealth continues to filter down to the man on the street.

A case in point is Iran's new appetite for red meat—for example lamb, mutton and, increasingly, beef — which until only recently was considered something of a luxury. But, not so to-day: the 1960 per capita consumption of eight kilos has recently more than doubled to 18 kilos and by the year 1992 is expected to hit the 47-kilo-a-year mark. In Tehran, where 70 per cent. of the country's wealth is thought to be concentrated, consumption has doubled in the past year to some 6,800 tons a month.

The hard-pressed farmer has proven largely incapable of meeting this new demand. Seemingly unphased, the Government last year resorted to a massive import programme that saw some 2m. tons of food-stuffs shipped in from abroad, a huge $3bn. food subsidy programme and the setting up of a national watchdog committee that, however well meaning, is only this month starting to crack an effective whip at Iran's increasingly profit-hungry wholesalers and retailers. This year's imports are expected to include 110,000 tons of meat, chiefly beef and mutton, 450,000 tons of sugar and 350,000 of rice.

By any yardstick—Western or Eastern—the Iranian countryside does not present an easy row to hoe. Until recently the land was mostly a forbidding expanse of shifting sands and sagebrush, searing sun and scant water where only the most hardy of farmers would try to wrest a living. Rainfall, that most precious of farming commodities in thirsty Iran, is scant—averaging only some 300-350 mm. each year—and less than one-third of the country's total 1.6m. sq. km. area is cultivable.

Targets

Iran only really started to come to terms with these problems at the start of the Fifth Development plan in 1973. Most of the early 1960s was taken up with land reform and the traumas of redistributing land to Iran's badly depressed peasant-farming community. During the Fourth Plan (1968-1973) the Iranian farmer was to play second fiddle to the Iranian industrialist: credit was in short supply, there was too little fertiliser and even less expertise, targets went badly unmet and the massive import of basic foodstuffs became a matter of course.

In a bid to righten these wrongs, the Fifth Plan was launched in 1973 with agriculture promised top priority along with such other basics as housing, health and education. A good proportion of the new Government funding is currently being put toward making agriculture as potentially an attractive investment as Iran's profit-oriented industrial sector.

High on the planners' list of priorities came water resources. With less than half the 8.4m. cultivable hectares under "wet farming," Iran is periodically the victim of either severe drought or devasting floods. Last year's poor wheat harvest —officially reckoned at 4.9m. tons, but unofficially put at 3.7m. — was blamed on an acute lack of rainfall during the vital germination period of March through June. To break the farmer's heavy dependence on unpredictable weather, the total hectarage of wet-farm lands is to be raised from 3.6m. to 4.12m. and the use of water made more efficient — i.e. raised from to-day's efficiency rate of only 30-35 per cent. to somewhere nearer the 85-95 per cent. rate that is common on farms in North America.

With profit in mind, a massive new loan and subsidies programme was set up last summer under which both local farmer and foreign partner can get low-interest credits and ask the Government for help in paying huge chunks of costly planning and infrastructure work. This is in addition to a ten-year tax holiday and is expected to guarantee Iran's new farmers an annual return of at least 20 per cent.

For example, the Ministry of Agriculture and Natural Resources is willing to arrange payment for 50 per cent. of feasibility study costs and 60 per cent. of all land-levelling work.

Hefty subsidies for seed — this year 11 crops are eligible including wheat, rice, grapes and potatoes — and fertilisers are also in the offing. Lastly, the Ministry has voluteered to pay all freight costs on the 200,000 dairy cows that are now being imported into Iran. (Chiefly due to arrival bottlenecks, like a shortage of quarantine and veterinary stations, the cattle import programme has fallen badly behind with only 5,000 cows arriving during the first ten months of last year.)

Such Government help is already starting to pay off. During the last Persian year investment by the private sector and the Agriculture Development Bank of Iran—which is the chief tool for processing Government loans and credits to the large— and medium-sized farmers— totalled 48.4bn. rials, an amount equalling all similar investments made during the past five years. ADBI, meanwhile, is "going regional" and, with several other local development and credit banks, has recently opened branch offices in Tabriz, Rasht and Ahwaz in a bid to reach the 400,000 or so medium-sized farmers who in the past had little ready access to development loans and credit.

Equally important, but more long-term, is a series of recently enacted laws that could prove to be the key to agricultural development in the Sixth Plan (1978-1983). Aimed at consolidating Iran's rural areas, the Ministry can now legally limit grazing on the country's already badly over-grazed pasture lands, prevent farmers selling out prime agriculture lands to either speculators or home-builders, control the use of lands bordering the country's waterways, have a greater say in the development of lands adjoining urban areas, and set up agriculture "poles" to force the pace of mechanisation.

Looking even further ahead, the Government has asked two British consultants, Bookers Agricultural and Technical Services and Hunting Agricultural Services, to draw up a 20-year national cropping plan and America's FMC to work on a similarly long-term protein master plan.

Anxious to try their hand at agribusiness in Iran are a score of foreign companies that range from Mitchell Cotts to Mitsui and Hawaiian Agronomics. Together with their Iranian partners, they have joined hands in huge agribusiness projects aimed at spearheading Minister Rouhani's drive to revitalise agriculture. By the end of the Fifth Plan such enterprises are expected to cover some 8 per cent. of Iran's 4.12m. hectares of irrigated farm lands.

The idea of "going agribusiness" was first introduced to Iran in the late 1950's when Mr. David Lillenthal, the overseer of the successful Tennessee Valley Authority project in the U.S. was persuaded to make a tour of the neglected province of Khuzestan in South-West Iran. The upshoot was an ambitious development programme that in essence includes the building of 14 dams to control the waters of Khuzestan's six principal rivers, the creation of an extensive hydro-electric power system and an integrated plan to turn 1m. hectares of virtual desert into irrigated farm land.

One of the showpieces in Khuzestan to-day is the Government-owned Haft-Tappeh sugar plant which boasts one of the world's highest unit yields—nearly 12.5 tons of refined sugar per hectare—and the nearby paper-making plant that uses recycled cane waste. The success of Haft Tappeh is hopefully soon to be reproduced at Daimcheh where a combination of ADBI and Industrial Mining and Development Bank of Iran funds are currently concentrated on a 6,200-hectare area that will produce some 200,000 tons of sugar a year and an equal quantity of paper.

But problems, even in Khuzestan, are never far from the surface of Iranian agriculture. For example, Iran California—an agri-business venture whose shareholders include big American corporations, private Iranians and the Khuzestan Water and Power Authority—is currently grappling with management problems and a shortage of Government-promised water for lands recently put under the plough. Again, one of Khuzestan's pioneers, pistachio king Mr. Hashem Naraghi, was suspected last year of mismanagement: he abruptly pulled up stakes and left his large landholding for the Government to farm.

Livestock

Further hopes are meanwhile being pinned on the 11 large-scale agri-business projects, including Haft Tappeh, that the Government is handling throughout the country. Among them is the huge livestock venture in Moghan in north-west Iran and the big sheep farm in the south where on the Plain of Marvdasht the nomadic tribesmen are being encouraged to co-operate in a $20m. project that will lift Iran's mutton production by some 25,000 tons a year. A sophisticated network of veterinary stations and stockyards is currently being built up and breeding animals, chiefly from Australia, imported.

Lower down on the agribusiness ladder comes (1) the private entrepreneur who is either going it alone—usually with Government credits—or forming joint companies with the Government or foreign specialists: and, (2) the Government-sponsored farm corporations and production co-operatives which are basically made up of small farmers who agree to work together and who subsequently go heavily into mechanisation.

Finally, in the unlikely event of all else failing, Iran has recently been considering diverting some of her new wealth into farming projects abroad. A joint venture livestock project is soon to get under way in Pakistan and Iranian agronomists are now looking deeper into the prospects of joining forces with countries as far afield as Australia, the Sudan and Latin America.

Liz Thurgood

Agribusiness on the farm

THE KEY to success in Iranian agriculture to-day may well lie in a little-heralded bill that promises to revolutionise life on the Persian farm. If carried out to the letter, thousands of small-time farmers will be virtually forced to "go mechanised."

The bill is part of a larger land consolidation programme that in addition to redrawing the map of rural Iran is intended to halt the still substantial drift to the cities of unskilled workers in search of the better life.

But signed into law by the Shah last June, the bill further highlights official concern with the relatively indifferent performance of Iranian agriculture. Despite an ambitious growth-rate target of 7 per cent. a year during the Fifth Plan period, output is unofficially reckoned to have increased by only some 3 per cent. in 1974.

The new bill aims to remedy this state of affairs by concentrating almost exclusively on the country's richest agriculture lands—an area covering 1.5m. hectares and tradtionally ploughed by many of Iran's 2.2m. small farmers. Under the new bill this land will be brought under the control of the recently-founded Regional Agricultural Development Organisation in the form of "agriculture poles" and turned into what can be loosely described as State-sponsored agribusiness.

A great deal will depend on how the Government decides to interpret the new law. If all the i's are dotted and the t's crossed —which seems increasingly likely given the critical state of agriculture to-day—then those farmers who choose to turn down the Government's offer of membership in the new agribusiness ventures will find their land automatically bought up by the Ministry of Agriculture and Natural Resources and either rented out to the private sector or farmed by the Government itself.

Such ruthless reform is the political price Iran's small farmers must pay for their country's explosive growth. Privately, officials will concede that the farmer might prove reluctant to co-operate with the Government, but such resistance, they stress, must be overcome if the agriculture sector is ever to satisfy the country's sky-rocketing demand for farm produce.

The problem, as defined by the experts, is that Iran's small and relatively unproductive farmers are an extravagance that the country can no longer afford. Their small land-holdings—ranging from one to ten hectares, but averaging out at only 2.5—made mechanisation impossible and costly land-levelling and irrigation work economically unviable. As important, the acutely manpower-short Ministry has been finding it increasingly difficult to staff its Agriculture Extension Service with the result that much of the new farming know-how is simply not reaching the small farmer and much of the

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Tehran is an environmentalist's nightmare, with some of the most appalling traffic jams in the world, pollution, congestion and ugly, sprawling development. Population is exploding and services are under extreme strain. What is being tried to right the situation and what success is likely.

Tehran nightmare

IF ANYONE wanted to choose a modern setting for Dante's Inferno they could do no better than come to Tehran and witness a midday traffic jam in the summer heat: long lines of clogged cars with frustrated drivers jostling to escape home from the fumes, dust and 100 degree heat but held up by broken down cars with overheated engines, minor collisions and careless pedestrians. Traffic is probably the biggest single imposition in a Tehrani's day (a traffic police study estimated that each car spends a minimum of one hour per day in jams). But there are many others. Tehran contains just about every pet hate in the environmentalist's book.

The city is polluted, congested, growth has outstripped resources and now a vast ugly urban sprawl is gobbling up all available wasteland. The city is pushing relentlessly uphill into the Alborg foothills, like a drowning man trying to grab a lifebelt, in the search for cool mountain air and more relaxed living, leaving behind the mud brick buildings and the old bazaar centre. So much so that it is now a city without a centre and in search of a soul—if anyone has time to give it one.

Top-heavy

People are in Tehran because they have to be. This is the centre of the action, and the action is such that more and more people, whether Iranians or foreigners, are being drawn to live here. Its population, at present reckoned to be 4.2m., is growing at 6 per cent. a year, out of all proportion to other urban centres in the country. Already it is seriously top-heavy in relation to the rest of the country. For instance, it contains 14 per cent. of total population, 22 per cent. of all manufacturing workers, 63 per cent. of all students and 67 per cent. of all registered cars. Car ownership in Tehran is roughly 1 to 15 against 1 to 90 for the country as a whole. Per capita income of $2,100 is almost double the national average.

The pressure on services is enormous. Housing just cannot cope with demand and rents have skyrocketed. Rent freezes only affect very low income groups and there is a huge cross section of society caught in the claws of greedy landlords who have a sellers' market. The sudden and massive inflow of foreigners has had its effect too. Due to shortages of medium and luxury houses and apartments, prices have gone up by over 30 per cent. on rentals this year. By the end of the year it will be virtually impossible to find a reasonable two/three bedroom house or apartment with swimming pool (the norm for foreign executives) under 100,000 rials per month ($1,500). Iranians returning from abroad are finding it just as tough since landlords have taken a preference to foreigners. The influx has led to overcrowding in schools. Foreign schools are packed to the limit (and some have found difficulty in hiring buses with drivers to pick up school children). The kind of contracts being signed anticipate a further substantial inflow, Grumman for instance are bringing in another 1,000 families, and it is hard to see what will happen.

To find a hotel room without two months booking is almost more difficult than the search for the Holy Grail. In hotel lobbies there are frequent scenes of angry businessmen brandishing confirmed bookings to receptionists who just shrug their shoulders. The receptionists have done this so often now that they do not even bother to apologise. The Hilton, Sheraton and Intercontinental blandly say "booked up for the next three months." Some businessmen have ended up sleeping in private clinics, while one Japanese is said to have gone to a mosque.

But it is not just hotel space and housing which are creaking under the strain. The city does not have a proper sewage system (though studies are under way by Sir Alexander Gibb and Partners to provide one) and it still relies upon open drains, public transport is limited, and telephones are both in short supply (over 150,000 persons on the waiting list) and the lines overloaded. It can take a whole morning to make two phone calls. Moreover, due to extensive public works, lines are frequently cut. One hotel, which even had guests for a State visit, was without telephone and telex for a week. International phone calls, except direct from the Central Post Office, take hours, even days to materialise while existing telex lines are in short supply and overloaded. Doing business here is a constant battle with the communications and the traffic. A situation summed up by one businessman who with complete straight face said: "I'm here for eight days to do three days business." But such are the carrots dangled by Iranian economic development that businessmen still keep coming and at one stage in the past 18 months practically every carpet bagger in the Western world has knocked on Tehran's door—not always with success.

Energetic

There is a general consensus that things will get worse before they get better. The city has an energetic mayor who is determined to get things done but there are so many priorities it is hard to see what comes first. Perhaps the greatest priority is to stem the city's alarming growth. It is reckoned that the city's facilities at present can support a maximum of 6m. persons. After that the question of water supply (Tehran uses 1.2m. cubic metres of water per day against 800,000 two years ago) becomes acute. Already there is talk of rationing next year. There is also the question of the electricity load (cuts are frequent at the moment) and more importantly space for housing. The Government has taken the initiative by seeking to discourage further centralisation round Tehran. In future more will be done in the provinces and there is a virtual ban on new factories within a 120 kilometre radius of the capital.

Planners maintain that one of the problems is that there has been little urban renewal in the old part of the city. This appears to have been partly due to the uncontrolled expansion north to the mountains and west towards the airport, but also due to policy. The downtown area still houses the bulk of the ministries but the aim is to move them "up the hill" to a newer less polluted and less congested environment. The heart of this scheme is a huge development in what is believed to be the largest undeveloped area in any city. The area is still barren hills, wedged between new development, and has been bought by the municipality largely from the army in 12,000 separate deals costing a total of $1.5bn.

The plan, drawn up by British consultants Llwelyn Davies, envisages a new town of 70,000 people. Primarily this will house Government offices, embassies (if they chose to move) and commercial offices coupled with medium and upper income housing. The municipality will provide all the infrastructure but will hand over construction to private enterprise only controlling design and planning. To prevent land speculation purchasers will only be able to resell once they have constructed. For a long time it was thought that this new town, to be called Shahestan Pahlavi, would never get off the ground. The project's critics argued that it would only add to Tehran's problems and that it would have been better to turn it into a green space and concentrate on urban renewal. However, in the end it was decided the new city centre was the only way of ensuring that Tehran functioned efficiently as a business and administration centre—the current loss of productive time through commuting, traffic jams and inadequate communications is tremendous. Thus the Shah will inaugurate the project next month.

Parallel with this the municipality, in conjunction with French assistance, is pressing ahead to introduce a metro system—a project which has been discussed for years. Initially some 150 kilometers of line will be laid but no date for start up has been given. The cost per kilometre is reckoned to be $15m. In the meantime the municipality will buy more buses which will begin operations shortly, provided of course the necessary drivers can be found: the shortage of bus drivers is desperate at the moment.

Everyone says that Tehran is not representative of the rest of the country, and this almost certainly is true. Nevertheless, the pressure of change and rapid growth imposed on Tehran's old and newly developing structures are a microcosm of the country's problems. The ability to come to terms with the modernisation of Tehran will in no small measure affect the country's development as a whole.

Robert Graham

Agribusiness

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potential of the country's best agricultural lands is being wasted.

All farms which fall under the aegis of the new polarisation bill will be combined into units of not less than 20 hectares—the size considered economically viable for large-scale mechanised farming. Although the farmers will not feel the full brunt of the new bill for another two or three years—the time it will take for Government survey teams to draw up a comprehensive map of Iran's richest agricultural lands—Ministry officials are currently pinning their hopes on a 13bn. rival project that with World Bank help is soon to get under way in the province of Kermanshah in western Iran. If successful, the project will almost certainly give the Government a far freer hand in tackling the agricultural polarisation of the country's remaining 20 provinces.

The agriculture "pole" bill is increasingly viewed in Tehran as a natural extension of the 1962 Land Reform Act that gave Iran's millions of depressed peasants a chance to own the land they tilled. Later to be incorporated into the White Revolution as Point No. 1, land reform was the Shah's springboard for his ambitious development plans.

But, as it became increasingly clear in the late 1960s, land reform — as it was originally conceived—could not be counted upon to solve the multitude of problems that even to-day bedevil life on an Iranian farm. Land reform was conceived not as an economic tool but primarily as a political tool—and to this end it has worked with exceptional efficiency. The redistribution of the huge private estates was to break much of the power of Iran's all-powerful land-owning classes who in the late 1950s and early 1960s were making life increasingly difficult for Iran's young monarch. More important, perhaps, land reform won grass roots support for the Shah among the new farmer-cultivators and enabled him to move on to even tougher reform that would have proven next to impossible without the "eternal gratefulness" of at least one sector of the Iranian people.

Technical

Despite the new importance attached to Iranian agriculture, however, the late 1960s saw the farmer still left holding very much the short end of the stick. The economy seemed finally poised to make its long-awaited "take-off" but, largely due to an acute lack of agriculture funding in the Third and Fourth Plans, the Iranian farmer was nowhere in sight: instead of applying the new technical know-how that was starting to yield results on the farms of more prosperous Iranians, most of the country's farmers were barely able to support their families and relatives, let alone the seemingly insatiable appetite of the increasingly affluent urban Iran.

As early as 1966 Agriculture Minister Mansour Rouhani, who at that time was heading up the country's energetic dam-building programme, published a paper advocating the need for "areas of intensive farming and stock-breeding." But his proposal — basically a forerunner of today's agriculture "poles" bill — was obviously not acceptable: the second stage of the three-stage Land Reform was underway and it was generally recognised that the new, albeit modest, land-owner would not take kindly to being told what to do with his newly-acquired land.

The net upshot was a very real Government attempt to fill the vacuum from the top. Leaving the smaller farmer largely to his own devices, the Agriculture Ministry stepped up its campaign to attract the private investor—both local and foreign—to join hands with the government in new agribusiness. With the advent of the Fifth Development Plan in 1973 the large-scale farmers were provided with massive Government funding and given the option to participate in an ambitious incentives programme.

In much the same way, the Ministry of Co-operatives and Rural Affairs—in whose hands the fate of the smaller farmer largely lies—turned an increasingly attentive eye to the setting up of farm corporations and the generally more popular production co-operatives. (Unlike the 65 farm corporations where the farmer exchanges the title-deeds of his land for a share in a Government-financed agribusiness company, the production co-operative is basically a getting together of like-minded farmers who agree to pool their resources for more mechanisation and higher crop yields). Membership of both groupings is currently at the 30,000 level. By 1978 the number of farm corporations is expected to reach the 140-mark and, together with the 60 production co-operatives, covers a total area of between 3-400,000 hectares.

Exact replicas of the farm corporation and production co-operative will form the cornerstone of the new agriculture "poles." But whereas nothing stronger in the path than gentle persuasion was brought upon the farmer to join up, now they may well have to choose between joining up or selling out.

Such radicalism down on the farm is highly preferable, argues the Government, to becoming increasingly dependent on imported foodstuffs and bowing to the whims of the international commodities market. Consumption projections show that the country's food requirements are likely to increase from 245bn. rials in 1971 to 1,300bn. rials in 1987. Rather than continue footing the increasingly hefty bills of the foreign farmer, the Iranian Government is making a very determined attempt to get a head-start with its own farmers.

Experiments

What makes this all the more urgent is the slow growth of mechanised farming in Iran and the subsequent long faces in Government. The ministry was hoping for faster results and had not apparently taken into serious account the number of years that must be spent on soil and planting experimentation before an agribusiness can go into full-time production.

The farmers outside the designated agriculture "poles" will continue to be taken care of by the Rural Co-operatives. Originally set up to replace the landlords, their numbers have been gradually pared down from 8,400 plus in the mid-1960s to a more manageable 2,790, with many being further merged into farm corporations. The main task of these co-operatives is to channel low-interest credit to its 2.5m. members and to help out on the marketing and distribution side. Recently introduced incentives include a Government fund scheme that will enable the farmer to pay off his debts too, and eventually undercut, the ubiquitous middleman; a 10bn. rial allocation which the Government will use to buy up surplus produce; and the launching of an extensive and badly-needed warehouse and cold storage network.

Liz Thurgood

NATIONAL IRANIAN OIL COMPANY

A speech given by the Chairman and General Managing Director Dr. M. Eqbal

Adressing the annual dinner of the Iranian Petroleum Institute on Thursday, February 6th 1975, the NIOC Chairman Dr. Eqbal said:

"Following termination of the Agreement of 1954 with the Consortium, establishment of Iran's full control and sovereignty over the country's oil resources and industries in August 1973 under the leadership of head of the state, and conclusion of a new oil sale and purchase agreement with the Consortium's trading companies, a basic revision was made in the Petroleum Act and a new law was enacted in 30 Articles. In this new law Iran's oil policy and the tasks of the National Iranian Oil Company have been precisely and clearly determined with due regard to recent developments in the world petroleum industry (which were also achieved under the Shahanshah's auspices). The new law authorises the National Iranian Oil Company to carry out exploration and development operations in the free oil zones through conclusion of contract agreements with foreign companies.

"By virtue of the new Act six new agreements were concluded last summer with foreign companies. These agreements known as exploration and development agreements are different from the former contract-type agreements since unlike the latter the contractor is not entitled to receive oil at cost price (production cost plus income tax). After termination of exploration period and commencement of production from the commercial fields the production operations will be undertaken directly by the National Iranian Oil Company, while the second party will start purchasing 30 to 50 per cent. of crude production with discount rates from 3 to 5 per cent. under a 15-year sale agreement to be concluded. Besides, a total of about $50 million was received by NIOC from the other parties as signature bonuses."

Dr. Eqbal then dealt with achievements of Iran's oil industry within the framework of OPEC with reference to the Organisation's meetings during the last year which resulted in an increase of royalty payments and intake of OPEC governments. He then referred to Iran's oil industry developments during 1974 and said:

"In 1974 Iran's oil industry made tremendous achievements. Although the increase in crude oil production and export was not significant, the country's oil revenue was raised considerably. Iran's total crude production amounted to about 350 million cubic metres, showing a rise of 2.7% over 1973. Also the country's total crude exports reached nearly 312 million cubic meters, which was 1.7% higher than the previous year. The country's revenue from oil during the year under review has been estimated at over 18,000 million dollars, four times that of the previous year.

"In 1974, as a result of efforts made, two new fields were added to Iran's oilfields. A total of 100 wells were completed and total oil drillings in Iran amounted to about 330,000 meters.

"During the year under review the country's oil refineries operated to maximum capacity processing 625,000 barrels of oil per day.

"Construction of the second Tehran Refinery with a capacity of 100,000 b/d, which started in March 1973, is nearing completion and will soon be commissioned. The project will cost about 10 billion Rials. Crude needs of this refinery will be supplied through a second Ahwaz-Tehran pipeline. This pipeline, which has been constructed to feed Tehran, Tabriz and other expected refineries, is 735 kilometers long including 228 km 30 inches in diameter and 507 km 26 inches. The project for expansion of the first Tehran Refinery to 125,000 b/d is under way and will soon be completed.

"The Lubricating Plant of Tehran Refinery with annual capacity of 120,000 cubic meters has been completed at a cost of 2,930 million Rials and is now operating. Preparations have been made for the construction of refineries in Tabriz and Isfahan. Contract for construction of Tabriz Refinery was signed on 10th March 1973 and its construction is expected to be completed by winter of 1978. A project has also been prepared for construction of a 200,000 b/d refinery in Isfahan.

"Consumption of refined oil products during the year 1974 totalled nearly 17 million cubic meters, 14% higher than the previous year. With creation of 252 new filling stations and retail sale centres the number of centres for internal distribution of products reached 12,323.

"In 1974 direct crude exports by the National Iranian Oil Company increased considerably. Total crude oil supplied to NIOC under the new oil sale and purchase agreement and also by mixed companies for direct export amounted to 24.3 million cubic meters valued at 1,977 million dollars which was about 28 per cent. higher than the previous year in quantity and 4.5 times in value.

"A new project called Kharg V is under way to increase loading capacity of the Kharg Terminal. With the completion of this project, probably by October 1975 Kharg will be able to receive more tankers of 300 and 500 thousand tons for loading.

"During 1974 efforts were made by the National Gas Company for expansion and exploitation of gas resources, increase of gas exports and further extension of gas supplies to the cities. Total gas exported to the Soviet Union amounted to over 9 billion cubic meters, showing a rise of 4.6% over the previous year. During the year under review a total of 1,919 million cubic meters of gas was distributed and consumed within the country, 42% more than the previous year. Study and survey of projects for the supply of gas for home and commercial uses in the cities of Shiraz, Isfahan, Mashad, Ahwaz and Tehran have already started and in Tehran the industrial gas network has been completed with the result that 41 industrial units in Tehran are already using natural gas and this is expected to be extended to 80 units by next year. Meanwhile, arrangements have been made for the use of gas by factories manufacturing construction materials in Tehran to help ease air pollution. As regards gas supply for home use, already districts such as Tehransar, 9th of Aban District and Naziabad are already using gas and the main project has been completed for the extension of the service to northern parts of the capital.

"A letter of intent was signed last winter with Elpaso, Distrigas and Sopex to create a joint venture for export of NGL to Europe and the United States. The estimated cost of this project is $5.900 million which includes development of facilities in Iran and purchase of 34 special gas carrying tankers. The National Gas Company's share in this joint venture is 50 per cent.

"An agreement was signed last summer between Pipe Making Company and the America's TME International and Kaiser Steel for the establishment of two new pipe making mills of 340,000 tons/yr. each for making pipes of 8 to 22 inches and 24 to 56 inches. The project will cost about $77 million and is scheduled to be completed within 24 months.

"During 1974 the National Petrochemical Company continued activity for the creation of new plants and expansion of production capacity of the existing ones. The carbonate and bi-carbonate of soda plant, which is the first phase of expansion of Shiraz Chemical Complex, was commissioned last April in the presence of the Shahanshah Aryamehr. Production capacity of this plant includes 53,000 tons of carbonate of soda and 10,000 tons of bi-carbonate of soda, which presently meets internal requirements. The project was completed at a cost of 1,290 million Rials. The project to boost the production of P.V.C. by Abadan Petrochemical Complex from 20,000 tons to 60,000 tons is already under way. Construction of Ahwaz Carbon Black factory was completed last year and its experimental operation started. The plant, one of the most modern of its kind, can supply 95 per cent. of domestic needs. The shareholders of this plant include National Petrochemical Company 20%, Industrial Development Bank 10%, World Bank 10%, private sector 10% and Cabot Company 50%."

Dr. Eqbal concluded that all these achievements by the country's oil industry could be attained under the enlightened guidance of the Shahanshah Aryamehr and through the efforts of his colleagues in the oil industry. He hoped that in this year, too, the industry would make still greater achievements towards expansion and development.

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The massive increase in imports at this time of rapid growth has left Iran's ports badly congested. There are plans for their development and other infrastructure projects.

Port congestion

EARLIER THIS year one of the games frustrated importers used to play was to take bets on the number of ships waiting at Khorramshahr—Iran's largest non-oil commercial port on the Shatt al Arab waterway. At its worst there have been over 110 ships waiting up to three and even four months to discharge. The Iranian authorities have made valiant attempts to improve matters and a series of emergency and long term schemes are now under way. Nevertheless the limited handling capacity of Iran's ports, through which almost 90 per cent. of all imports pass, has proved one of the major bottlenecks in the economy. The manner in which the ports, and related infrastructure, can be improved and expanded will determine in large measure the country's ability to achieve its ambitious economic development programme.

Structure

When last year it was decided to double the Five Year Development Plan (1973-78) the port structure was wholly inadequate to cope. Total nominal capacity was only 3.8m. tons per annum and originally it was anticipated that capacity would only need to be raised to 9.7m. tons by 1978. The doubling of the plan resulted in huge pile ups and backlogs. At one stage Khorramshahr had accumulated over 500,000 tons of cargo because it was receiving at a rate of 15,000 tons per day and was moving only 12,000 tons. By operating continuous shifts at all ports it was possible to handle a total of 9.8m. tons in 1974-75, or over 300 per cent. of nominal capacity. This did help to clear some of the backlog and at present Khorramshahr has cut waiting time to between 35 and 40 days and only 60 ships are now waiting to discharge. Even so the situation is critical. This can be gauged from the fact that Khorramshahr handles 44 per cent. of all non-oil cargo.

Iran has seven principal commercial ports of which all the important ones are on the Gulf. These Gulf ports handle 91 per cent. of all seaborne trade. Bandar Shahpur together with Khorramshahr handle 77 per cent. of total trade. The only Caspian port of any significance is Bandar Pahlavi which handles about 7 per cent. of total trade. The main emphasis has been, and will continue to be, on the Gulf since shipping to Caspian ports depends upon the Volga-Don canal which is only open for four months in the summer.

The aim now is to boost nominal capacity by 1978 to 28m. tons, which the authorities estimate could give a total capacity in the region of 60m. tons per annum on a continuous shift basis. (Currently the ports are handling 1m. tons a month.) The cost of this expansion programme is expected to be over $1,250m. This will be coupled with improved wharehousing and nationwide co-ordination of distribution through expanded railways and better roads.

At Khorramshahr a team of South Koreans have begun a $32m. emergency project to build three special jetties which should be completed in seven months.

The major expansion scheme will take place at Bandar Abbas. Here a new port will be built with a 15m. tons nominal capacity including such facilities as container berths and roll-on-roll-off wharves, and a free zone.

The port authorities are confident that they will soon have the situation in hand. Indeed it is hoped that the heavy shipping surcharge will be eliminated at Khorramshahr by September. However, the physical problems of the ports' handling capacity is only one side of the bottleneck. The other, and equally important to solve, is that of removing the goods once offloaded. The sharp increase in imports last year found the country desperately short of both trucks and drivers. Over 2,000 trucks and 6,000 trailers were imported to alleviate the shortages, but then it was discovered that there were insufficient drivers. The result was that goods hung around unnecessarily long, and were often damaged. On a temporary basis drivers were engaged from South Korea, Pakistan and the Philippines. This scheme has not been as successful as hoped due to the latter's unfamiliarity with the very special skills required to navigate safely on Iran's roads; and there is still a shortage of drivers. Obviously this is a problem which can be solved in the medium term but meanwhile it is creating a serious bottleneck in deliveries.

To complement the expansion of the ports, there is a determined effort to increase the inflow of freight arriving overland, both by truck and rail. Iran has ordered 74 diesel electric trains from General Motors worth $45m., and plans the construction of two new terminals in Tehran. Discussions have taken place with Turkey on boosting the use of the Cento rail link and British Rail have undertaken studies on the Turkish side. The main problem here is that the link has to cross Lake Van and it will either require more ferries or a new routing round the edge of this vast lake.

Network

Within the country the main emphasis is being put on the electrification of the Tabriz line up to the Russian border at Jolfa; completing the rail link between the Kerman copper mines and Zarond; laying a second line between Tehran, Qazvin and Tabriz. In addition to this, finishing touches have just been put to a plant to lay and improve 710 kilometres of track in the south of the country linking the port of Bandar Abbas to the national rail network. The project includes new tracks along the existing 350-kilometre line connecting Bandar Abbas with the iron ore mines of Golgohar and extending the tracks and additional 350 kilometres to Bafq. Already operating is a turbo-train, supplied by the French Turbomeca, between Tehran and Meshed which has halved the journey to eight hours.

These improvements will take time and will have to be combined with a streamlining of customs procedures and increases in customs personnel. Earlier this year the border at Jolfa was closed for almost two months largely because the customs could not cope. At Tehran airport airfreight is piling up and customs officials are working to their limits, but even so some airlines have been warned against bringing in too much freight. Allied to this is the need to create an effective distribution system. Many of the shortages, such as cement, are less serious than realised simply because centralised stocking is only in its infancy. Recently Britain's National Freight Corporation did some studies for the Ministry of Commerce on distribution and one of the proposals studied was a new Covent-Garden type market for Tehran to improve distribution of foodstuffs.

This whole area of infrastructure and communications is being given priority by the Government for it knows that an effective solution to these problems will go a long way to streamlining the economy.

Robert Graham

Despite an early start, telecommunications development in Iran was badly held up until a few years ago. It is now catching up fast with a completely new national system built and plans made for expansion.

Telecommunications

BEFORE THE advent of roads suitable for wheeled traffic Iranian engineers carried wire and poles to set up a telegraph service across some of the world's most arduous terrain and climatic conditions, which brought Iran into the world's telecommunication network. The date was 1857 and by 1885 some 36 per cent. of the world's telegraph services were passing through the Iranian network via the three British built connections into India. The first telephone system was installed in 1885 in Tehran only nine years after Bell had first demonstrated the principles of telephony.

Despite these early firsts, the Iran telephone system got off to a slow start, due to financial difficulties and the advent of two world wars. At the end of World War I the bulk of new telephone equipment ordered for installation in Iran disappeared on its way through Russia. Another calamity occurred when equipment, ordered to expand the first automatic exchange installed in Tehran in 1937, was delayed by the outbreak of World War II.

Modern telecommunications made their debut in Iran with the CENTO system which permitted direct dialling between Ankara, Tehran and Karachi. This system was opened and ready for operation in 1965 and forms the backbone of the newly completed INTS network which brings Iran into the modern telecommunications age.

Prior to the completion of the INTS system many private companies and Government agencies operated their own extensive and viable networks. These systems had been built because of the lack of PTT facilities. Some have been incorporated into the PTT INTS network and some have been leased by the PTT; but the long term objective now rapidly being achieved is for the whole of the Iranian telecommunications system to be completely integrated. Some agencies will still require their own networks but these will supplement rather than duplicate the Ministry of PTT's INTS network.

The Iranian Plan and Budgetary Organisation has initiated a plan to determine the best way to expand the CENTO system and at the same time to upgrade the existing Iranian telecommunications network. The main objective of the study was to provide other routes for communication and to provide a better service to all Iranian communities.

The consultants for the CENTO link, the American TAI Inc., together with Iranian Consultants Farmanfarmaian, were employed to carry out feasibility studies to determine scopes of work and engineering requirements for a viable telecommunications system designed to meet the planned objectives.

Economic evaluation of the present system and the prospects for the future were completed before a start was made on the engineering. Telephone studies of each area and an evaluation of the existing records for the proposed network were undertaken. Standard methods used by other telephone companies in other parts of the world for securing reporting and analysing data were used to determine circuit requirements and traffic parameters. Analysis was made on a link-by-link basis and each system was then analysed as an integral part of a single network with international links.

The feasibility study culminated in a large contract which was to be the largest single contract ever let for a microwave system. A group known as the GNPS Consortium was formed to handle the contract.

The magnitude of the problem faced by the consortium in implementing the INTS programme is indicated by a part of the logistics planning. Fifty-eight cities have been connected, 549 sites installed, 393 new buildings erected and 652 kilometres of new roads completed, with the majority of them carved out of virgin mountains.

The total length of installed microwave links is 17,336 kilometres (10,773 miles). These figures indicate that some 14,207 channel ends and 15m. kilometres of voice channels were provided.

Over some of the most inaccessible regions of the world in high and mountainous areas the GNPS Consortium transported 50m. tons of equipment which had to be specially packaged to resist the conditions encountered. Ambient temperatures in Iran vary from minus 12 degrees C in winter to plus 55 degrees C in the summer. The average altitude of Iran is 914 metres (3,000 feet) above mean sea level and the area covered is equivalent to the area covered if England, France, Germany, Italy, Belgium and Holland were all lumped together as one country.

Total cost of the project was $380m. (£162m.) and at its peak the INTS project employed some 6,000 to 8,000 people including experts, technicians and engineers of all disciplines, and semi-skilled workers.

The Programme Management Organisation of the Ministry of PTT were responsible for installation, and management and upgrading of the INTS system. The operation and maintenance of the telephone system is the direct responsibility of the Telecommunications Company of Iran (TCI).

Expansion plans already in hand include the provision of telecommunications facilities to every corner of Iran and the development of a University of the Air of the type pioneered in U.K. Direct dialling from any Iranian village to any country in the world is also on the way by means of satellites already purchased. The French Secam colour television will come en masse to Iran when regular colour broadcasts take place this September.

An electronics industry to back up the communications projects is already through its embryonic stages and rapidly taking shape at Shiraz.

An Iranian Standards Institute is operating in Iran and is presently laying down standards for a standard commercial TV receiver to cut costs and expand the market in Iran.

Current expansion plans for the telecommunications system call for an additional 2m. subscribers by 1978 under a programme, codenamed 2M56, which is being implemented by the TCI Company.

Colleges

The building of a new telecommunications system from scratch helps to delay the making of expensive decisions, akin to those now being made by Western nations who have to decide whether to scrap their existing telecommunications system to rebuild and incorporate new technical developments. However, the fast, inbuilt inherant changes created by electronic R and D may have some effect in the future. When that time comes the present shortfall of 30,000 engineers and 70,000 technicians may well have been solved because technical colleges and schools now being built and current training plans reaching maturity, will provide a constant stream of graduate engineers and technicians.

An interesting aspect of modern Iran's communications is the dialogue currently taking place regarding the Iranian weekend. Based on the Moslem calendar, Thursday and Friday form the Iranian week-end. However, with money and product markets still operating in the Western world on these days, business interests in Iran, and many Government departments, are seeking to change the week-end to Friday and Saturday to take advantage of an additional day for commercial transactions.

Edwin Luck

Final documents of the Conference on Security and Co-operation in Europe will be signed in Helsinki this week. **Malcolm Rutherford reports**

Mapping the Helsinki route to detente

SHORTLY AFTER the death of Stalin, the Foreign Ministers of Britain, France, the Soviet Union and the U.S. gathered in Berlin. According to an official note on the meeting, Mr. Molotov, the Soviet Minister, "*proposed* that all European countries conclude a 50-year Collective Security Treaty: Germany to be neutralised and remain divided. The West favoured German reunification and free elections."

That was in February 1954, and Mr. Molotov's proposal was perhaps the first official reference to what was to become the Conference on Security and Co-operation in Europe (CSCE), the final documents of which will be signed by representatives, mostly heads of government, of 35 states in Helsinki this week. The signatories are composed of all the states in Europe except pro-Chinese Albania, plus the U.S. and Canada.

Diplomacy

As can be seen from the opening quotation, both sides have moved a long way since then. The documents, which were agreed by officials meeting in Geneva over the past two years, are not a security treaty: indeed they are not a treaty of any kind, since none of the resolutions are binding. There is no mention of the neutralisation of Germany, either East or West; indeed it is assumed that they will remain members of their respective military blocs. There is no call for free elections in the German Democratic Republic and German reunification is only indirectly referred to in a safeguard clause allowing the possibility of the peaceful change of frontiers.

The documents are also immensely long—some 30,000 words of badly written prose. Yet reading between the lines it is possible to trace the course of East-West diplomacy over the years, to see which positions have been upheld, which abandoned and which watered down, and to recognise the contribution of the neutrals who emerged as a third, and often very liberal, force during the Geneva stage of the Conference. It also becomes clear that Helsinki is not the end of the road. It is simply part of the process of seeking detente, by which is meant the relaxation of tensions, without giving away essential positions.

On the eastern side, it was Mr. Brezhnev, the Soviet party leader, who really made the Conference idea his own. He wanted a European peace treaty ratifying existing borders and confirming Eastern Europe as a Soviet sphere of influence. He also wanted access to western technology for the development of Soviet natural resources and, once the Conference began with multilateral preparatory talks in Helsinki at the end of 1972, he wanted it to end with a grand summit meeting. It is possible that he sees it as the crowning achievement of his career, to be followed by a second strategic arms limitation agreement (SALT 2) with the U.S. in the autumn and the 25th Soviet Party Congress at the end of February, which could yet see his triumphant retirement.

Mr. Brezhnev (centre) made the Conference idea his own, and the election of Herr Willy Brandt (right) was presented by both sides as the turning point.

Good faith

To the West, Mr. Brezhnev appeared to want these things so badly that he was prepared to pay a price. In the late 1960s, east-west diplomacy seemed to be conducted through a series of separate meetings of NATO and the Warsaw Pact, each sending signals to the other. In 1968, the NATO Council sent out the "signal from Reykjavik" suggesting that it was softening its reservations about a security conference, but setting as a condition negotiations on mutual and balanced force reductions (MBFR). Another condition was that the Russians should show their good faith by contributing to easing the situation in and around Berlin—the greatest single area of cold war tension.

Both these western conditions were met in time. Preparatory talks on east-west force reductions in Central Europe opened in Vienna in early 1973 and the full MBFR conference later the same year. In the meantime, the four war-time allied powers, Britain, France, the Soviet Union and the U.S., had signed the Quadripartite Agreement on Berlin, which remains the most tangible achievement of detente to date.

It is doubtful, however, how far all this would have happened without a mutual change in attitudes between the Soviet Union and West Germany. The West German *Ostpolitik* goes back at least until the mid-1960s and the softer Soviet policy towards Bonn predates, if only by a few months, the election of Herr Willy Brandt as Federal Chancellor in October 1969. But it was Herr Brandt's election that was presented by both sides as the turning point.

Chancellor Brandt wanted to restore German respectability and trust with the east, just as Konrad Adenauer had earlier done with the west and, like Adenauer, he was prepared to make concessions in advance. The Russians wanted the concessions and, since they also wanted western technology, they could no longer afford to single out the Federal Republic as the most dangerous power in NATO. The result was the Bonn-Moscow and the Bonn-Warsaw treaties, both agreed in 1970.

Frontiers

These two treaties effectively ratified the frontiers of Central Europe. The Bonn-Moscow treaty, for example, said in part: (the signatories) "regard to-day and shall in future regard the frontiers of all states in Europe as inviolable such as they are on the date of the signature of the present treaty, including the Oder-Neisse line which forms the western frontier of the People's Republic of Poland and the frontier between the Federal Republic of Germany and the German Democratic Republic." It is true that it was accompanied by a "Letter on German Unity" in which Bonn insisted that the treaty did not conflict with the political objective of working for "a state of peace in Europe in which the German nation will recover its unity in free self-determination." But the fundamental concessions had been made, even if it could well be argued that there was no realistic alternative since East Germany was not going to be allowed to defect to the western camp and West Germany had no intention of taking it by force. After that, there were few remaining obstacles to the holding of the European Security Conference.

Nothing in the documents to be signed in Helsinki goes beyond these treaties and, if anything, the purpose of the "Letter on German Unity" has been reinforced. The first of a set of ten principles guiding relations between the 35 participating states includes the sentence: "They consider that their frontiers can be changed, in accordance with international law, by peaceful means and by agreement." The wording is vague (for example, by agreement with whom?), but at least it is an antidote to the third principle which says that the participating states "regard as inviolable all one another's frontiers as well as the frontiers of all states in Europe."

In a sense, Mr. Brezhnev already had what he wanted, even if it was not in the form of a collective pan-European collective security treaty, and it amounted to something that the West was not seriously prepared to challenge. The surprising thing was that he was prepared to go on making concessions in order to make sure. He did so both on co-operation in the field of economics, science and technology and the environment, and on human contacts, which respectively form Baskets 2 and 3 of the final documents.

Technology

Much of Basket 2 is a thinly-veiled expression of Mr. Brezhnev's desire for access to Western technology, but again the West had already shown its own interest in long-term contracts with the East, and companies like Mannesmann or Krupp found them a welcome insurance against domestic recession. The potential advantage of Basket 2 is that it could reduce some of the practical obstacles to trade. To take only two examples: there is a joint resolve to promote more regular and more rapid publication of economic and commercial information and to allow producers more direct access to the end-consumer. There is also a suggestion that organisational charts will be made available showing the internal structure of foreign trade entities. The value of these to Western businessmen could be considerable.

The Soviet concessions in Basket 3 are concerned mainly with the reunification of divided families, marriage between citizens of different States, working conditions for journalists and the wider dissemination of information. Again, the resolutions are not binding and the language is often heavily qualified, but it will be a test of Soviet intentions to see how far they are adhered to. It will be no less interesting to see how far the Russians make the final documents available to their own public, since it was agreed in Geneva that this should be done "as widely as possible." If the Russians are unduly reticent, there are always the external services of the BBC and other Western radio stations to fill the gap.

But, of course, in the end neither side has given away any of its vital interests. There is an acceptance of the *status quo* in Europe just as, in effect, there was before, but the intention is to go on from there. For the West, this means primarily two things: giving detente a military dimension through progress in the MBFR negotiations in Vienna, and watching how the Russians observe the provisions of the Security Conference until their implementation comes up for review at a meeting of officials which will probably take place in Belgrade in 1977.

The MBFR negotiations, though serious in tone, have been at an impasse ever since they began. The West insists there is a major imbalance in ground forces in Central Europe in favour of the Warsaw Pact—925,000 Pact servicemen against 777,000 for NATO, and 16,000 Pact main battle tanks against NATO's 6,500. It argues that there ought to be mutual reductions down to a common ceiling. The east disputes the figures, but refuses to provide any of its own. It also rejects the aim of a common ceiling, saying that the cuts should be based on the existing situation which has kept the peace all these years. Furthermore, it is demanding the inclusion of aircraft and tactical nuclear weapons.

Superiority

Claims that this situation is intolerable will be a major theme of western speeches in Helsinki this week. Certainly, the MBFR negotiations look like becoming the main focus of detente. There could well be movement in the autumn with the tabling of new proposals.

The main western aim in MBFR is to establish parity in conventional, and ultimately perhaps also tactical, nuclear forces. This would match the parity already broadly agreed between the Russians and the Americans in strategic weapons. That itself will not ensure peace, any more than the first SALT agreement prohibits the superpowers from engaging in qualitative competition in the strategic field. But it does mark a return to the historical concept of the need to preserve the balance of power. Since the Security Conference also accepts the territorial *status quo*, comparisons with the Congress of Vienna do not seem unduly far fetched. The purpose of that Congress was broadly to restore the territorial limits of 1805 and to maintain the balance between the great powers. As it happened, Russia was the major gainer. It need not happen this time.

Letters to the Editor

Government double-talk

From Sir Malby Crofton Leader of Kensington and Chelsea Council.

Sir,—There is a continuing and flagrant dichotomy in the Government's attitude to local authority spending. We are castigated on the one hand for overspending, while on the other ever-increasing statutory responsibilities are placed upon us.

The Community Land Bill requires that local authorities recruit expensive staff to take over the role of existing private developers.

Mr. Healey's White Paper on inflation says: "Unless staff numbers are tightly restricted the Government will have to reconsider the scale of provision of grant."

What are local authorities to do when faced with this kind of Government double-talk?

This Bill alone would mean a staggering staff increase of 12,000, and a cost of between £300-£400m. This money is, of course, to be "capitalised" and set off against expected "development profits." Maybe, but for the next few years it will be a direct addition to the Government's already too-high borrowing requirement.

Whom are we to obey?

Should it be the Secretary of State for the Environment or the Chancellor of the Exchequer? We are writing to the Prime Minister for a directive. I do not think that our overseas creditors are going to believe in the Government's new policies or, more importantly, in sterling, if this sort of double-talk and doctrinaire nonsense is permitted to continue. If the Government is to secure the consensus about which it so frequently talks, then it must at least drop the more doctrinaire of its present policies.

Malby Crofton.
Town Hall,
Kensington, W.8

A state within the state

From the Director and Secretary Federation of Medium and Small Employers

Sir,—It was forecast to Parliament 150 years ago that legalised trade unions would eventually create a state within the state.

Most fair minded commentators would agree that a major portion of our nation's difficulties emanate from the fact that we do not have a sovereign Parliament, or even a sovereign Government. We do not even have what might have been called a "municipal" parliament if, in fact, membership of the EEC has rendered us subject to Brussels.

No, indeed. What we do have is the worst possible system — worse or as bad as the theocracies which used to be such a disability in Europe. We have a Government which is subject to the veto of a totally irresponsible outside body—the small cadre of trade union officials who manipulate the Trades Unions Congress.

This could not be better illustrated than by the present Government's gyrations in seeking Parliamentary approval for a proposed Bill, the contents of which it is not prepared to release. Consider its problem. It wants an Act of Parliament which can be enforced on one sector of the community, but which will not allow that sector the normal protection one can obtain through a court injunction to restrain second parties from compelling a breach of the law.

In a normal state with a normal Parliament and a normal Government, the Parliament makes laws with the intention of enforcing them; this Government wants the right to do the very opposite. It is a nice point which is the more contemptible—Mr. Heath's Government's refusal to enforce its own Industrial Relations Act in its own State industries, or Mr. Wilson's current activities.

J. H. Stevenson.
Enterprise House,
Henley-on-Thames,
Oxon

Fallacies of the £6 limit

From Mr. G. Chowdharay-Best.

Sir,—Mr. Samuel Brittan (July 21) writes that "like Ramsay MacDonald in 1931, or Winston Churchill not in 1940 but in 1925, Mr. Harold Wilson is forcing needless follies upon us to preserve an arbitrary sterling exchange rate." I cannot answer for Ramsay MacDonald, but I feel bound to point out that, as R. S. Sayers wrote in Studies in the Industrial Revolution (1960), ed. L. S. Pressnell one of the reasons for the return to gold in 1925 was the argument that export industries world-wide had declined. Unemployment remained at 1m, and was largely in export industries, while one of the factors making for the relative decline in exports was the dislocation of currency and exchange consequent upon the war. The return to gold was intended to ease this latter situation and to some extent did so. The 1931 crisis was the result of the American trade cycle, and not of U.K. monetary policy.

Mr. Brittan seems to think that we should leave everything to laissez-faire and all will come out right. Nevertheless, Government has a responsibility to maintain the value of its currency and wage restraint will definitely help to achieve this end, provided it is balanced by reductions in the money supply.

But wage restraint by itself will not work; it will merely produce unemployment by reducing the amount of purchasing power in circulation so that people will not be able to buy the goods that others are producing. That is the fallacy of the £6 limit.

And people like myself, who do most of their work for nothing and who are dependent on unemployment benefit or social security for their subsistence, will not be helped at all. No £6 increase for us: we are not even allowed to earn £6 a week in total to give us some sense of the dignity of our labour.

G. Chowdharay-Best.
174, Clay Hill Road,
Basildon, Essex.

Employers in a cleft stick

From Mr. S. W. Penwill.

Sir,—In Clause 10 of the White Paper, *The Attack on Inflation*, the Government expresses its intention to "legislate to relieve employers of contractual obligations" which may mean, if and when the necessary law is passed, that they will not be liable for damages for breach of contract as the breach is occasioned by their voluntarily following the requirements of the White Paper, which itself is not law.

In the meantime as there is no Bill and there is no guarantee that any Bill, when produced, will become law, would it not be dangerous for employers to break contracts without a guarantee from the Government that they will be compensated against action for breach.

If, as a result of a breach, the employee concerned, the contract having become null and void, feels himself free to look for employment—paying more than the White Paper seeks to allow, will action be taken by the Government to force that employee to maintain his side of the contract?

It would seem that, until there is a law which absolves employers from action for breach of contract, contracts entered into before the date of the White Paper should in the meantime be observed. If and when the relief becomes statutory it can operate only as from the date on which the Act is passed by Parliament, for it is inconceivable that such an Act would require employees, who have received remuneration under contract as it stood at the time of payment, to refund any remuneration which subsequently was adjudged to be in excess of the legal limit.

For the time being employers are apparently holding two dirty ends of the same stick; on the one hand they will be penalised under the Price Code where payment under contract exceeds the limits recommended by the White Paper, and on the other they would be subject to action for breach of contract if they anticipate the law which may never reach the Statute Book.

S. W. Penwill.
158, Fenchurch Street, E.C.3.

Soviet aid

From Dr. S. Zimin

Sir,—I have read David Lascelles' article on Soviet aid to developing countries (June 25) and though I have no intention of comparing what I think are the quite distinct aims of Soviet economic help to developing countries and Western aid, I would like to point out the author's obvious mistakes in assessing Soviet assistance.

The quantitative analysis which I think David Lascelles prefers to the qualitative one does not give a correct idea of Soviet assistance. How can one speculate about "insignificant" Soviet help when just one plant—that of heavy electrical equipment in Hardwar, India—built with Soviet help met the principal requirements of the long-term electrification plan for the whole of India? The iron and steel works at Bokaro and Bhilai, built on contracts with the Soviet Union, account for more than half of all steel produced in India. The hydro-electric schemes in Aswan and on the Euphrates, and other Soviet-aided projects in developing countries play a key role in their economies and are internationally known.

Furthermore, the economic benefit of such projects in developing countries is far greater than might be deduced from their design capacities. For example, during the construction of the first stage of the Bhilai works, India delivered only 10 per cent. of the necessary machinery and equipment, while at the time of building the Bokaro complex, her share, as a result of Soviet help, increased to 65 per cent. Soviet credits worth Roubles 124m. given to India to build the first stage of the Bhilai project and interest were repaid by her in full by deliveries of tea, spices, tobacco, wool and other commodities to the USSR. The Hardwar plant provided employment for 10,000 Indians.

A closer look at David Lascelles' reasoning suggests incompetent judgment as to which industries in the Third World deserve priority. Otherwise he would not be so categorical in dealing with the Soviet point of view on agricultural development there. The Soviet view stresses the need to intensify agricultural production by creating up-to-date material and technical facilities based on large-scale farming.

Sergei Zimin.
2, Franzen Street,
Moscow.

Politics of envy

From Mr. E. C. Lister

Sir,—Is there no limit to the arrogance and presumption of the New Establishment? The TUC is reported (July 24) as having stated, in a written submission to a Commons Select Committee, that a Wealth Tax "would be accepted by the whole community as a major contribution towards a fairer economic system." Voting figures at general elections show that the TUC cannot even speak for all trade unionists on general political questions, let alone for the whole community. There would be many members of the community who would recognise a Wealth Tax, if one were introduced, as a further manifestation of the Politics of Envy and regard it as a gross injustice.

E. C. Lister.
Chinthurst Wood,
Wonersh,
Guildford, Surrey

Floating exchange rates

From Mr. T. E. Simms.

Sir,—When Mr. Baker states that it is essential to stabilise the exchange rate at current levels (July 19), he implies that we have a say in what the value of the pound should be.

At any given time, we have very little say in what the exchange rate should be. It is what the rest of the world thinks it should be, based quite simply on, first, our trading performance; second, our reserves and the extent of our borrowing; and third, what the world thinks of our prospects.

There is a fourth factor, namely the extent to which foreigners might wish to support us on account of concern for the stability of world monetary systems, goodwill, or possibly pity, but I discount these as relatively insignificant. There is no way we can disguise either of the first two of these (at least not honestly or in any way that can have any lasting effect) since they are simple statements of fact based on our past performance, in relation to the rest of the world. Only in the third factor, our prospects, do we have any scope for influencing world opinion and even this is strictly limited to the bounds of credibility. This means getting down to the business of resolving our industrial and social ills and ensuring that we are seen by the rest of the world (particularly the most influential parts of it) to be doing this.

However, Mr. Baker's point that falling exchange rates do not lead to a significant increase in exports *in volume terms* appears to have some truth, suggesting that the elasticity of demand of many of the internationally traded goods might be less than is generally thought, but there is also a "stickiness" factor, due to buyers' being loath to switch sources in response to small and possibly temporary changes in parity between currencies. Many of the goods form parts of intricate industrial structures (of both the hardware and software varieties) and it is not always easy to change to another supplier, on account of different standards, long delivery periods etc.

Germany's experience, with its exports not decreasing, even in volume terms, after the mark was revalued, illustrates this point, and confirms that it is not the selling price alone which determines the relative saleability of goods. We have of course always known this, but perhaps we have not realised the importance of the other factors, which include designing for the market, reliable delivery promises, quality, after-sales service/support, and, perhaps above all, our attitude to marketing.

As Mr. Baker rightly says, our objective should be a rising exchange rate, but there is only one route to this: a better trading performance, with all that that implies. There is no way that we can escape the consequences of our past (and present) over-indulgence. Until we demonstrate that we have both the ability and the will to manage our affairs sensibly, a falling exchange rate will continue as the inexorable and merciless corrective to put us right with the rest of the world.

T. E. Simms.
49 Heaton Grove,
Bradford 9, Yorks.

Stopping the cycle

From Mr. W. Clarke

Sir,—Having read the article (July 22) about the machine tool industry in which reference is made to a disastrous recession and the alarmingly fast disappearance of the workload, I am unable to reconcile the picture of gloom with the fact that customers wishing to buy British made engineering machine tools frequently have tremendous difficulty in obtaining them and consequently have to buy second hand or foreign manufactured goods.

According to the local representative of a nationally known supplier the waiting list for a quite basic British lathe is 14 months and one can wait up to three or four years for a more complex item. In consequence the supplier in question has a showroom full of foreign made machine tools and offers an enormous range of very good quality equipment imported mainly from eastern Europe either ex-stock or within weeks. Each sale of a foreign machine is a loss to the British industry.

The present boom in sales of reconditioned British machine tools is not unconnected with the virtual unavailability of new items, despite a supposed "disastrous recession."

I should like someone to supply a convincing explanation of these apparently irreconcilable aspects of the problem.

The thought occurs that British industrial downturn may not be wholly due to a genuine and unavoidable reduction in demand but that the problems are possibly being made worse than necessary by management miscalculation and general inefficiency.

W. P. P. Clarke.
45, Norwood Avenue,
Sheffield.

Mr. James Callaghan, Foreign Secretary, visits Budapest for two-day talks with Mr. Frigyes Puja, Hungarian Foreign Minister.

President Ford continues European tour.

High Court considers legality of scheme of arrangement whereby Government would become majority shareholder in British Leyland.

Trial opens of leading members of Greek military junta charged with high treason and insurrection, Athens.

To-day's Events

Sir Murray Fox, Lord Mayor of London, in Perth as part of visit to Australia and New Zealand. Lord Stokes opens International Fire Conference and Exhibition, Olympia.

The Continuing Heritage, a conference organised by Royal Institute of British Architects and Civic Trust, opens at Queen Elizabeth Hall, London.

PARLIAMENTARY BUSINESS
House of Commons: Petroleum and Submarine Pipelines Bill, remaining stages.
House of Lords: Medicines (Feeding Stuff Additives) Order 1975. Diseases of Animals (Amendment) (Northern Ireland) Order 1975. Industry Bill, committee. Limitation Bill, consideration of Commons amendments.

COMPANY RESULTS
Fairey (full year).
Hall-Thermotank (half-year).
Leslie and Godwin (half-year).

COMPANY MEETINGS
See Week's Financial Diary on page 7.

COMPANY NEWS

Carlton Industries sees some recovery

SOME RECOVERY in profitability is expected for Carlton Industries this year, although accurate forecasting is impracticable, says the chairman, Mr. L. Royden.

During the year to March 31, 1975, group borrowings in the U.K. were held at opening levels, but in view of the continuing uncertainties in the economic situation, it is considered desirable to give priority to reduce these borrowings, and progress is being made, he adds.

As reported on July 8 profit, before tax, contracted from £6.52m. to £4.41m. and the net dividend is 4.125p (3.935p) per share.

A split of the £76.66m. (£65m.) turnover shows U.K. sales £59.92m. (£52.25m.); export sales £4.6m. (£4.26m.) and overseas £12.16m. (£7.59m.) comprising South Africa 54 per cent. and Europe 46 per cent.

Profitability of the Haddon-Oldham division increased by 16 per cent. in spite of the exceptional increases in the price of lead during the early part of the year. There is a clearly defined trend towards the use of storage batteries for specialised vehicles and for stand-by power and the company is well placed to expand production to meet the additional anticipated demand. The current year has begun well and the decline in lead prices this year should work in the company's favour, says Mr. Royden.

Invergordon Distillers profits increased 11 per cent. but the growth was restricted in the early part by a shortage of materials and towards the end by a general cutback in the industry in the level of new fillings laid down. The chairman stresses that a substantial increase in the export price of whisky "is long overdue both for the stability and growth of the industry and as a valuable contribution towards the country's balance of payments."

As to the construction industry division, he says the downturn in the industry deepened sharply from the summer of 1974 and each of the trading divisions was badly affected.

Fixed assets increased from £22.04m. to £25.52m., and commitments were £1.11m. (£1.51m.) of which £0.71m. (£0.95m.) were contracted. Net current assets advanced from £22.17m. to £26.40m.—there was an increase in net borrowings of £0.84m.

Meeting, Bristol, September 11 at 11 a.m.

HIGHLIGHTS

Although next week's company news list is lacking in numbers it has its fair share of big guns. What activity there is seems to be mainly centred around Thursday when **Barclays Bank** (the last of the major clearing banks to report in the current round of interim figures) along with **British Sugar Corporation**, **Prestige Group**, and **Reed International**, is producing interim results, while final figures are due from **Fitch Lovell**. Interim figures are expected from **Hall-Thermotank** and **Leslie and Godwin** to-day and from **British American Tobacco** to-morrow.

Parkland Textile confident

THE MAIN objective of Parkland Textile (Holdings) in the current year is to rectify the adverse trends at its subsidiaries, Knoll Spinning Company and Jerseycraft, says the chairman, Mr. J. L. Hanson in his annual statement.

Every effort is being made to contain the current losses and achieve a fully viable and profitable result for the coming years, he adds.

Wool prices, in Mr. Hanson's view, are now more stable and provide a firmer base for future trading. And if there should be an upturn in trade, holders can expect "considerable improvements in the results of the two subsidiaries and in the group as a whole during the current year."

Mr. Hanson remains confident in the group's future. "It has a sound management base which, coupled with modern plant considerably under-valued by present day prices, means that the group is poised to take advantage of any change for the better in the world textile trade."

As reported on July 8 group pre-tax profit decreased from £1,011,250 to £144,585 in the year to February 28, 1975 and the dividend is reduced from 3.1171875p to 1.735p net.

The chairman discloses that an offer was made for Knoll Spinning which the Board were prepared to consider, but in the event the offerors were unable to provide the finance and the offer lapsed. The directors felt it right to delay their report while the negotiations were pending.

Meeting, Leeds on August 19 at 12.30 p.m.

Successful start by U.K. Provident

United Kingdom Provident has had a successful start to 1975. Total new premium income written to June 30, was £2.18m., an advance of 58 per cent. over the corresponding period last year. Sums assured exceeded £57m., an increase of 64 per cent.

The new business rise resulted mainly from new annual premiums which were up 72 per cent. from £1.07m. at end-June, 1974, to £1.85m. Single premiums were 7 per cent. up to £336,000 from £312,000.

TAN SAD ALLWIN

The Receiver and manager of Tan Sad Allwin announces that there are no funds available for unsecured creditors. The statement of affairs at June 2, 1975, shows an estimated deficiency as regards unsecured creditors of £720,390 and as regards members of £874,000.

Expansion at Massey Ferguson

In the first half to April 30, 1975, profits of Massey-Ferguson Holdings leapt to £8.16m., before tax of £4.24m.

For the corresponding period last year profits were £458,000, subject to tax of £271,000. Output was hit severely by the power emergency and industrial disruption, but there was a subsequent pick-up and profits for the year came to £6.41m.

National Provident growth

In the first six months of this year, new business of the National Provident Institution increased by 50 per cent. to £2.35m., compared with the same period last year. This follows the record 65 per cent. advance in new annual premium during 1974 as a whole.

Growth this year to date has come from all classes of policy. Perhaps most significant, it is stated, has been the continued growth in pensions, including group schemes, self-employed pensions and directors' pensions, and in endowment policies sold to repay mortgages.

New sums assured in the first six months amounted to £59.5m., an increase of 73 per cent. and single premiums for assurances and annuities were £1.89m., up 101 per cent.

First half loss seen by Reliant

SIR JULIAN HODGE, chairman of Reliant Motor Group, tells members in his annual statement that with both Reliant Motor and Press Operations, two major subsidiaries, working short time, a trading loss for the first half of the current year is "inevitable."

However, he adds, steps already taken give prospects of an improvement later in the year and the underlying strength of the group remains.

He states that prospects must remain unpredictable while the U.K. economy is so uncertain, and that the steps recently taken to control inflation are likely in the short term to produce further reduction in home demand.

This may be reflected in a further set of "uninspiring results" as far as overall profitability is concerned, Sir Julian warns.

He explains that the group is diversifying its products as much as it can—with the motor company for instance introducing a small four-wheeled economy car later this year—and efforts are being made to seek new markets overseas.

These overseas efforts particularly concern Reliant Motor and Hodgkinson Bennis, another subsidiary.

Factors such as these should help to offset the effect of any further recession in the U.K., says Sir Julian.

As reported on June 27 pre-tax profit for the year to February 28, 1975, was £508,000 compared with a loss of £814,000 in the previous four-months and a profit of £450,000 in the year to October 31, 1973. A final dividend of 0.173p net was the first since a similar interim was paid for the year to October, 1973.

Profit was made up of £274,000 from the motor company and £234,000, a new record, from the engineering division, comprising Hodgkinson Bennis, Press Operations and Smiths Forgings.

The engineering companies performed particularly well, Sir Julian points out. Orders for the current year are more difficult to obtain particularly for the more specialised and expensive type of capital goods but a continued emphasis on developing solid fuel energy resources should help Hodgkinson Bennis cope with the general reduction in demand, he adds.

Of Reliant's Ordinary shares 77 per cent. are held by Hodge Group, a wholly-owned subsidiary of Standard and Chartered Banking group, the ultimate holding company.

Meeting, Cardiff, August 15 at 10.30 a.m.

BOARD MEETINGS

The following companies have notified dates of Board meetings to The Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends considered are interims or finals and the sub-division shown below is based mainly on last year's time-table.

TO-DAY

Interims:—Allied Manufacturing and Trading, Hall Thermotank, Leslie and Godwin, Pride and Clarke, R. Smallshaw (Knitwear).

Finals:—A.A.H., Amalgamated Distilled Products, Anston Holdings, Dover Engineering, Fairey, Alfred Preedy, L. D. and S. Rivlin.

FUTURE DATES

Interims:—	
Bank Leumi U.K.	July 31
Bath and Portland	*July 30
Glynwed	Aug. 6
Imperial Chemical Industries	Sept. 4
Law Land	Sept. 18
Reed and Smith	Aug. 14
Weber	July 31
Finals:—	
Bollington Textile Printers	Aug. 6
Daejan Holdings	July 31
Hillards Supermarkets	Aug. 11
Howard Tenens Services	Aug. 8
Malaysia Rubber	Aug. 7
R.F.D.	July 29
Unitech	Aug. 5
Walshams	Aug. 1

* Amended.

Denbyware continues expenditure

Chairman Mr. G. H. J. Robinson says that pottery makers, Denbyware, is to continue its "agressive" marketing policies in order to improve its position in the market place, and will continue to introduce new products.

It is particularly in the area of new product introduction that the directors hope to continue the company's growth, and in anticipation of this they are continuing to commit capital expenditure for future growth at a level similar to that of past years.

Profit before tax for the year to March 29, 1975, reported July 11, advanced from £983,440 to £1.21m. and the dividend is stepped up from 4.684p to 4.98p net.

During the latter part of the year the company at last "achieved the position where productive capacity was better able to meet demand and it is now in a position where the directors are confident it can meet the demands of the current year without the difficulties of the past.

Minster Assets has an interest in 11.71 per cent. Ordinary shares and at June 30, 1975, Mr. L. Simons had an interest in 27.57 per cent. In respect of which Interceram Inc., U.S. has given notice of an interest in 21.42 per cent.

Meeting, Great Eastern Hotel, E.C., on August 18, at noon.

Grindlay Brandts Australia

Grindlay Brandts (Australia), in its first full year of operation ended June 30, 1975, made a profit before tax of $A275,000, with a net figure, after tax, of $160,000.

During the year the company, a wholly owned subsidiary of the Grindlays Bank Group, the head office of which is in London, made "good progress" in establishing business in both the money market and corporate finance markets, despite the prevailing difficult trading and economic conditions.

A sound basis for the future was created, and continued progress is expected in the 12 months ahead, the directors say.

Outlook at Electric & General

The directors of Electric and General Investment Trust are optimistic for gradual improvement in overseas portfolios, particularly in North America and Japan, but for the U.K., the outlook remains very uncertain, states the chairman, Mr. G. F. B. Grant.

Of investments, 32 per cent. are located in North America, 7 per cent. in Japan and about 40 per cent. in the U.K.

He describes 1974-75 as "not very satisfactory" either from an income or capital point of view. Although gross income showed a small improvement, this was more than offset by increases in expenses and tax with the result that earnings per share declined from 1.15p to 0.98p and maintenance of the 1p net dividend entails a small drop in revenue reserves. On the capital side, net asset value increased by only 1.3p per share.

The reason for this "disappointing" performance is very largely the company's overseas borrowing. At the beginning of the year the company had two Swiss franc loans: one a back-to-back loan for Sw.Frs.17m. repayable in 1977 and another direct loan for Sw.Frs. 6.44m. repayable in 1978. During the summer of 1974 the directors became increasingly worried about the position of sterling, particularly in relation to the Swiss franc and decided that the risks entailed in such a measure of overseas borrowing were too great to be acceptable, he states.

Negotiations for the early repayment of these loans were successfully concluded and before the end of the year total foreign currency indebtedness had been reduced to the original loan of U.S.$1m. which was negotiated in 1967 for a term of 15 years at a fixed rate of interest of 7½ per cent. and a further loan of $1m. which is on a roll-over basis, finally repayable in 1977.

Meeting, 11 Austin Friars, E.C., on August 12 at 2.45 p.m.

Freddie Mansfield

Sir Iain Stewart, chairman of Hall-Thermotank, which is due to announce its interim results to-day.

Stewart Nairn cuts deficit

MANUFACTURERS and distributors of hosiery and knitwear Stewart Nairn Group reports a pre-tax loss of £60,830 for the year to March 31, 1975, compared with £584,824 for the previous year.

The loss was incurred after interest down from £108,900 to £32,535 and extraordinary credits of £39,103 against debits of £179,269.

	1974-75 £	1973-74 £
Turnover	2,067,000	3,139,000
Trading loss	36,398	298,855
Interest	32,533	108,900
Extraordinary credits	39,103	†179,269
Pre-tax loss	60,830	584,824
Tax credit	954	7,312

† Debits.

FT Share Information Service

The following security has been added to the Share Information Services appearing in the Financial Times:

Estates House Investment Trust (section: Investment Trusts).

Recovery at Giltspur

Mr. Maxwell Joseph, chairman of Giltspur, told the annual meeting that the engineering group was now trading profitably.

The exhibition industry subsidiaries in France and Germany were showing the benefits of rationalising operations following the recent acquisition and development programme—exceptional marketing costs incurred last year in the American Exposystems Company were not being repeated.

"In short, the problem areas and difficulties are being energetically tackled and this should be reflected in this year's trading results," Mr. Joseph added.

J. Woodhead profit fall

At the annual meeting of Jonas Woodhead and Sons chairman, Mr. E. S. Simpson, said the estimated result for the first quarter to June was down by comparison with last year. For the half year to September profit would be significantly lower than that of last year but he would still regard it as a satisfactory performance.

While immediate concern was to manipulate resources to suit present day conditions, they were looking for opportunities for growth and expansion in the long-term, he stated.

R. Farnworth consolidating

The annual meeting of Robert Farnworth was told it was the directors' intention to consolidate the company's position as one of the leading independent firms in warp knitting.

They were "taking every available measure to ensure our emergence from this trying period as a strong and viable unit capable of generating a reasonable return to our shareholders as has been the case in the past."

CU in Austria

Anglo Elementar—in which Commercial Union Assurance is majority shareholder—and Austria Versicherungen say they intend to co-operate in the Austrian market.

A joint marketing organisation, and the setting up of common administrative facilities, particularly in the field of data processing, are planned.

Both groups will maintain their independence. Anglo-Elementar and Austria Versicherungen are among the largest insurance companies in Austria.

Second British Assets

Gross income of Second British Assets Trust contracted from £737,000 to £534,000 in the first half of 1975. The figure for the year 1974 was £1,372,000.

The directors are keeping to their forecast of a dividend (in one payment) of not less than 1.5p net per 25p share. It will be paid next March. For the previous year the total was 3.57p.

They state they have been concerned about the very high level of the investment currency premium and have taken steps to reduce the size of the trust's exposure.

A $U.S.2m. loan has been arranged with bankers, which funds have been used to acquire securities already held in the premium portfolio. Further sales out of the premium portfolio have also been made, and the total investment currency raised has been repatriated into sterling.

Total assets were £24.11m. (£24.62m). and net assets available for Ordinary after deducting other prior charges at par £16.4m. (£13.9m.) equivalent per share to 179p (162p), or assuming full conversion of the convertible loan stock 168p (145p).

The applicable amount of the full investment currency premium has been included in the valuation. The amount liable to surrender on realisation would reduce the amount available per Ordinary share by 10p.

BIDS AND DEALS

W. TYZACK SONS EXPANSION

W. Tyzack Sons & Turner has purchased the fixed and current assets of William & H. H. James, Willenhall garden tools manufacturers, for £324,700 cash. James' products are completely complementary to those of Tyzack and now give Tyzack the wider base it needs on which to build in the DIY and Garden Tools' market, both at home and abroad.

Both companies already have strong export markets in North America, Europe and Australasia and combined marketing will further strengthen sales. The James' business will, in future, trade under the Tyzack banner but manufacturing will continue at the Willenhall factory.

NO PROBE

On the present information, it has been decided not to refer the proposed merger of Odhams (Watford) and Sun Printers to the Monopolies and Mergers Commission.

BROWN BROS.

Brown Brothers Corporation has issued 500,000 Ordinary shares and paid £71,300 in cash in connection with the third instalment on the purchase of V. A. Alff in July, 1973.

Brighter prospects for Chesterfield

The current year will be a transitional one for Chesterfield Properties but prospects should be much brighter at the end of it, forecasts the chairman, Mr. Harold Wingate.

He confirms that relaxation of the rent freeze will release an additional £200,000 in a full year, and further rent reviews to the value of around £500,000 annually should be effective in 1976 and 1977.

Interest rates, he says, have returned gradually to saner levels during 1975. One or two U.K. properties may be sold to eliminate or much reduce short-term borrowings.

The company's portfolio of investments is likely to have stood up well in comparison with the market trend. Completion of existing developments and the incidence of certain important rent reviews are likely to limit, and perhaps even eliminate, any depreciation in total value of the portfolio.

Development schemes are expected to be approved before the end of this year for sites in Rugby, Woolwich and Wembley. At that point the directors will decide whether to dispose of the properties or hold them for future development.

If the sites are held, but development is deferred indefinitely, interest will be written off since the properties will no longer be considered to be held for, or in the course of, development.

Chesterfield Ronson group (which is 50 per cent. owned) will be selling certain overseas properties when opportunities are attractive. The Berl/Washington site in Paris is being disposed of—although no loss was incurred the decision was regretful in many ways, but the risks involved in such a large undertaking had become unjustifiable.

Group net income for 1974 fell from £723,000 to £557,000, and the dividend is 2.88p (2.8p), as reported on July 5.

Meeting, 1, Avery Row, Mayfair, W., August 20 at 11 a.m.

Mettoy-Fisher Price pact

A new long-term agreement has been reached between the Mettoy Company, its subsidiary, Mettoy Playcraft, and Fisher-Price Toys, a wholly-owned subsidiary of Quaker Oats, which will come into effect over the next 18 months.

In brief Mettoy will continue the manufacture and bulk storage for the British and Continental markets of a substantial range of Fisher-Price toys. Fisher-Price will commence from January 1, 1976 its own sales representation to selected national accounts extending to all outlets from January 1, 1977.

Warehousing, distribution and invoicing to all accounts will be undertaken from January 1, 1976 by Fisher-Price.

Continuation of the manufacturing contract "will provide an on-going close and profitable relationship between Fisher-Price and Mettoy to their mutual benefit," it is stated.

Sterling Trust advance

GROSS INCOME of Sterling Trust increased from £774,916 to £846,413 and pre-tax revenue from £501,830 to £667,206 in the six months to June 30, 1975.

The interim dividend is 1.4p (same) net per 25p share. Last year's total was 3.85p.

Net asset value per 25p share is shown at 164.5p (120p at June 30, 1974 and 92p at end-December 1974) including the full investment dollar premium.

UNIT TRUSTS

New SW service

Slater Walker has launched a new portfolio management service called the Slater Walker Unit Trust Portfolio Management Service. This has been introduced to complement its existing portfolio services already available to the individual, which cater for investors with over £50,000.

It is intended for people with between £20,000 and £50,000 to invest and what it amounts to is a managed portfolio of Slater Walker's unit trusts. Unitholdings will be managed according to each individual's investment requirements on a discretionary basis.

Normal management charges will be made for initial unit trust purchases, but on any subsequent exchange of units the charges will be substantially reduced.

PROPERTY GROWTH FLEXIBLE

Property Growth Assurance has launched a new Flexible Savings Plan, the principal objectives of which are to enable the policyholder to obtain the benefits of long-term life assurance while retaining easy access to capital.

NATWEST EXTRA INCOME

The National Westminster Extra Income Trust which was launched on July 5 attracted funds in excess of £750,000 during its two-week initial offer period.

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Pending dividends

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*AVP Indusis.	Aug. 5	Final 5%
Aaronson Bros.	Aug. 22	Int. 6%
*Acrow (Engs.)	Aug. 12	Final 10.4%
Albright and Wilson	Sept. 5	Int. 10%
Allied Insulators	Aug. 14	Int. 2.4%
Amalg. Metal	Aug. 20	Int. 6%
Assoc. Dairies	Aug. 29	Final 4.2% §
Assoc. Portland Cement	Aug. 21	Int. 3.3%
*Barclays Bank	July 31	Int. 6%
*Barrow Hepburn	Aug. 7	Int. 7.8%
*Bath and Portland	July 30	Int. 6%
Bibby (J.)	Aug. 19	Int. 2.1%
Blackwood Hodge	Sept. 2	Int. 5% ‡
Bowater	Sept. 6	Int. 3.7%
British Aluminium	Aug. 21	Int. 1.5%
*Brit.-American Tobacco	July 29	Sec. int. 29.9%
British Petroleum	Sept. 5	Int. 8.7%
*British Sugar	July 31	Int. 5.9%
Cable Trust	July 25	Int. 8.3%
Capital and Counties	July 26	Final 9%
Carrington Viyella	Aug. 14	Int. 3%
Central Wagon	Sept. 4	Int. 3.6%
*Clayton Dewandre	July 29	Int. 9.3%
Comb. English Stores	Sept. 3	Int. 18½%
*Commercial Union	Aug. 11	Int. 15.5%
Corah	Aug. 7	Int. 5.7% ‡
Dalgety	Sept. 5	Final 5.6%
De Beers Cons.	Sept. 4	Int. 8 cts.
Decca	Sept. 4	Final 30%
Dixons Photographic	Aug. 16	Final 8%
Fairclough (L.)	Aug. 20	Int. 14.8%
*Fairey	July 28	Final 8.6%
*Fitch Lovell	July 31	Final 12.9%
Gen. Accident	Aug. 7	Int. 16.1%
*Glynwed	Aug. 6	Int. 14.8%
*Hall-Thermotank	July 29	Int. 3.3%
Hoover	Aug. 8	Int. 34.1%
House of Fraser	Sept. 2	Int. 7.8%
*ICI	Sept. 4	Int. 9%
Jacobs (J. I.)	Aug. 7	Int. 3½%
James (John)	Aug. 8	Final 7.3%
*Kleinwort Benson	Sept. 25	Int. 8%
Kuala Lumpur Kepong	July 29	Int. 5%
*LRC Intnl.	July 25	Final 27.1%
Lonrho	Aug. 28	Sec. int. 10% §
*Mather and Platt	Aug. 28	Int. 4.5%
Nottingham Manufacturing	Aug. 14	Int. 4½%
Ocean Transport	Sept. 3	Int. 17.7%
Pearl Assurance	Aug. 28	Int. 104%
Pearson Longman	Sept. 5	Int. 8.3%
Phoenix Assurance	Sept. 4	Int. 22.1%
*Prestige	July 31	Int. 8.3%
Pye Holdings	Aug. 13	Int. 7.3%
Reardon Smith	Aug. 14	Int. 5%
Rentokil	Aug. 27	Int. 11.5%
*Royal Insce.	Aug. 19	Sec. int. 14.9%
Slater Walker	Aug. 29	Int. 14.6%
Smith and Nephew	Aug. 13	Int. 9.1%
Sun Alliance	Sept. 4	Int. 11.3%
Sunley (Bernard)	Aug. 14	Final 23.7%
*Transport Development	Aug. 19	Int. 6.6%
Trust Houses Forte	July 17	Int. 10.4%
*Tube Investments	Aug. 20	Int. 10.7%
Turner and Newall	Sept. 5	Int. 4.6%
Union Corpn.	Aug. 22	Int. 12 cents
*United Dominions Tst.	Aug. 21	Final 9.6%
Western Mng.	Aug. 7	Final 8%
*Westinghouse Brake	Aug. 5	Int. 3.8%
Wms. Hudson	Aug. 20	Final 2½%
Wittor (Thos.)	Aug. 8	Int. 4.2%
Woolworth (F. W.)	Aug. 19	Int. 7.2%

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Local Authority Investments

LOCAL AUTHORITY loan rates increased sharply in all periods last week, in line with other Money market movements.

Deposits with local authorities at seven days' notice improved to 10¼-10½ per cent., from 9½-9¾ per cent., the one-month deposit to 10¼-10½ per cent., from 9½-9¾ per cent., the three months to 10½-10¾ per cent. from 9½-9¾ per cent. and the one-year mortgage to 11⅝-11⅞ per cent., from 11½-11¾ per cent.

The Financial Times Government Securities Index eased during the week, reflecting sharp falls in the gilt-edged market, in anticipation of the rise in the Bank of England Minimum Lending Rate to 11 per cent. It closed at 60.49, on Friday, compared with 60.97 at the end of the previous week, after falling to 60.40 on Tuesday and 60.07 on Wednesday.

One-year local authority bonds were placed during the week at par, with a coupon of 10¾ per cent., to offer a yield ¼ per cent., below that on the previous week's batch.

* Rate (%) July 25, 1975	
2 days' notice (deposit receipt)	10 —10¼
7 days' notice (deposit receipt)	10¼ —10½
7 days' notice after one month (deposit receipt)	10½ —10¾
7 days' notice after three months (deposit receipt)	10½ —10¾
7 days' notice after six months (deposit receipt)	10¾
Mortgage at one month's mutual notice after 11 months	11⅝ —11⅞
Mortgage at one month's lender notice after 11 months nominal term 2-5 years	n.a.
2 years' mortgage	12⅝ —12⅞†
3 years' mortgage	13¾ —14†
4 years' mortgage	14 —14¼†
5 years' mortgage	14 —14¼†
6-10 years' mortgage	n.a.
11-30 years' mortgage	n.a.

* Rates are for sums not less than £20,000 and are subject to local variations and fluctuations. † Nominal. ‡ Shorter periods may attract higher rates than longer. n.a. Not available.

Public Works Loan Board rates

(Effective from July 5, 1975)

	Quota loans Repaid		Non-quota loans Repaid	
Years	By instalments	At maturity	By instalments	At maturity
Up to 5	11¾	11¾	12¾	12¾
Over 5, up to 10	11⅞	12	13	13¼
Over 10, up to 15	12¾	14¼	13¾	14¾
Over 15, up to 25	13½	14¾	14	15¼
Over 25	14½	14½	15	15½

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

INTERNATIONAL COMPANY NEWS

Petrofina highlights its offshore operations

BY DAVID CURRY

BRUSSELS, July 27.

PETROFINA, the Belgian oil major, has revealed consolidated net profit figures for the half year to June 30. The company, which is Belgium's largest concern, earned B.Frs.2.275bn. (£28m.) for the six months against B.Frs.2.206bn. for the same period of 1974.

The company gives no other financial information but highlights some of its major offshore operations. In particular the company notes that the average daily production from the Ekofisk field in the Norwegian sector of the North Sea in June reached 220,000 barrels compared with an average daily output throughout the whole of 1974 of 34,870 barrels.

The company notes that it has so far sunk 22 out of a planned 32 wells in this field.

Turning to its operations in the U.K. sector of the North Sea Petrofina reveals that its trial drillings in the Andrew field in which it holds 30 per cent. of the concession have resulted in a daily flow of some 6,800 barrels a day.

The company has drilled a second offshore well in the Congo Basin off Angola which had yielded trial quantities of gas and oil in different layers, while it also reports a natural gas strike in a field in the Adriatic off Rimini in which the company has an 8¼ per cent. stake.

Petrofina states that refining activity has been reduced in Europe, the U.S. and Canada and that its Luanda refinery has been idle because of the general unrest in that area. However, on the distribution side its European and U.S. sales are so far ahead of last year's performance. The recession had brought a sharp fall in lubricant sales but Petrofina's own performance had been better than the market generally. In the petrochemicals sector the market was still depressed although the company detects signs of a recovery in the U.S.

Wagon-Lits growth

BRUSSELS, July 27.

CIE INTERNATIONALE des Wagon-Lits et du Tourisme said consolidated group net turnover in the tourist sector rose by 9.3 per cent. to B.Frs.2.88bn. for the first half of this year compared with the same 1974 period (value added tax included).

In the restaurant sector turnover rose 16.3 per cent. to B.Frs.760m. and in the hotel division it fell 5.3 per cent. to B.Frs.125m., value added tax excluded in both cases.

The hotel sector figure fell solely because the group ceased managing the chain of six hotels in Denmark.

The company added that foreign exchange fluctuations of the Belgian franc, particularly against the French franc, the lira and the peseta, unfavourably distort the situation this year.

Reuter

Other News

Israel Discount Bank capital rise

● Israel Discount Bank Bankholding (Israel's third largest banking concern) has followed other Israeli banks with plans to raise its capital—by an estimated I£80m. (approximately £6m.) through the issue of 2m. Ordinary shares of I£20 (roughly £1.50) at a price to be announced close to the issue date.

● Nestle Alimentana increased its stake in Societe Claudel, a dairy products concern, to 94.75 per cent. from 58.5 per cent. following its public offer to acquire all shares tendered at Frs.60 per share.

● Leaders of 11 African countries with shares in the multi-national airline Air Afrique have asked President Felix Houphouet Boigny of the Ivory Coast to negotiate the end of French companies' participation in the airline. A communiqué said the 11 African countries should increase their current 6.54 per cent. shareholdings in Air Afrique.

A company controlled by the French airlines Air France and UTA holds 28 per cent. of Air Afrique stock under the agreement which created the airline and which expires next year.

● Societe Suisse pour l'Industrie Horlogere (SSIH) has taken over a majority shareholding in the capital of Alcyon Electronique et Physique. The acquisition is intended to permit SSIH to expand activities in the field of industrial applications of lasers and micro-automation, while enabling Alcyon to intensify its work in the field of laser application, meteorology and pollution measurement.

World Economic Indicators

EXTERNAL TRADE

		June '75	May '75	April '75	June '74
U.K. £m.	Exports	1,440	1,586	1,364	1,325
	Imports	1,609	1,602	1,655	1,802
	Balance	—169	—16	—291	—477
France Frs.	Exports	20,605	17,834	20,812	19,607
	Imports	18,116	16,625	19,862	20,259
	Balance	2,489	1,211	950	—652
W. Germany DM bn.	Exports	18.55	17.50	19.69	16.84
	Imports	15.46	14.25	16.98	14.33
	Balance	3.10	3.30	2.00	2.51
Japan $m.	Exports	4,400	4,304	4,739	4,765
	Imports	3,890	4,325	4,090	4,731
	Balance	510	—19	650	34
		May '75	April '75	March '75	May '74
U.S. $m.	Exports	8,145.1	8,569.6	8,715.9	7,652.4
	Imports	7,093.4	8,012.8	7,335.6	8,264.5
	Balance	1,015.7	556.8	1,380.3	—612.1
		April '75	March '75	Feb. '75	April '74
Italy Lire bn.	Exports	1,761	1,877	1,719	1,567
	Imports	1,870	2,088	1,763	2,382
	Balance	—109	—211	—44	—815
Belgium Frs. bn.	Exports	90.50	88.82	87.45	97.28
	Imports	94.19	88.36	85.24	99.75
	Balance	—3.69	0.46	2.21	—2.47
		March '75	Feb. '75	Jan. '75	March '74
Holland Fls. m.	Exports	5,951	5,843	6,767	6,366
	Imports	6,307	6,133	6,581	6,637
	Balance	—356	—290	186	—271

MIB profits improvement

By Mary Campbell

MIDLAND and International Banks has reported post-tax profits of £2.0m. for the year ened March 31. The figure, which is net of interest on a subordinated loan, provisions for loan losses, taxation and transfer to inner reserves, compares with £1.6m. for the bank's previous financial year. It is paying a final dividend of 5¼ per cent. bringing the annual dividend to 8¼ per cent., or £0.85m. This compares with £0.7m. for the previous year.

MAIBL dates back to 1964 when it was the first of the consortium banks to be established. Its shareholders are Midland Bank (45 per cent.), Toronto Dominion (26), Standard Bank (19) and Commercial Bank of Australia (10)

The bank's total assets increased from £587m. to £653m. during the year. Sir Archibald Forbes, the chairman, said in his statement that each of the bank's activities yielded higher net income.

MINING NOTEBOOK

Bullion price endangers new gold projects

BY LODESTAR

INVESTOR ENTHUSIASM for new gold-mining projects seems to be very much on the wane around the world and is only likely to be revived by a strong forward movement in the bullion price. For some time it has been lingering in what is generally reckoned a neutral area—the $160-$170 range. Friday's price was $166.30.

The South African projects underwritten by the big mining houses are, however, in no danger of being abandoned through lack of investor support. Indeed, there may be more to come in the Erfdeel project which is being probed by Anglo American and in which LAGS has an indirect but potentially exciting stake.

Elsewhere it is a different story. In Canada it looks as though Paul Penna's Goldex venture in Quebec will have to be abandoned. Initial gold recoveries have been a tiny 1.4 dwts a tonne. This is "just not viable at current gold prices," a company spokesman commented.

The operative phrase is "current gold prices." Other junior gold miners in Canada are now reckoning that not $200 an ounce but $250 may be necessary before they will be prepared to signal a go-ahead for their projects.

United Goldfields

This example provides the background for the failure of one of the most intriguing new ventures in Australia where the production of gold is tax free. Subscriptions for the public offer of shares in United Goldfields Corporation in both the U.K. and down-under could well be below the minimum required for a quotation on the Australian stock exchanges.

Moreover, most of the subscriptions have come from this side of the world. The response from Perth has been disappointing despite the fact that the gold prospects involved are in Western Australia's well-known Kalgoorlie district.

So it looks as though local investors could be axing a project which was prevented by the caution of the Australian authorities from choosing the right moment to launch a unique flotation on both sides of the world.

It now remains to be seen whether the U.K. element will be willing to leave enough money in what could be an unquoted company to allow it to go ahead with what is regarded as the least capital intensive and most promising of its exploration prospects, Golden Ridge, which could be worked as an open pit.

It would be a pity if this Anglo-Australian venture were allowed to die without being given a chance to get off the ground. At the moment the decision seems to lie in the hands of the U.K. subscribers.

President Brand

In London the analysts have been hard at work dissecting the recent June quarterly reports from the South African mines. They reach no very firm conclusions. Which reminds me that I have been asked by a number of readers in view of the bearish—and so far correct—London broking views about gold shares to be sure to give equal publicity to any turn that they may make on to the bull tack.

This I will only be too pleased to do. It is difficult to find much enthusiasm at the moment although a new weekly mining news-letter launched by London brokers Quilter Hilton Goodison and Co. finds a few words of praise for President Brand.

It comes into the general category of brokers' current views both here and in Johannesburg that if you are to buy a gold share it should be one with a generous uranium content. President Brand has only a potential one. But the brokers consider that once the company's mothballed 1971 uranium plant is put into operation, possibly soon, it will have two advantages.

The plant will already have earned its keep owing to the escalation of capital costs since it was built. And it will have a stockpile of uranium-bearing material on which to reap considerable profits. From a share market viewpoint the theory is an understanable one. Once the uranium go-ahead is given there could be a sharp response in the market for Brand which were quoted on Friday at £22¼.

An EEC scheme

It has been stressed often in this column that the current penal mining tax and royalty systems adopted by governments in many countries, plus their reneging on initial contracts entered into with mining companies once the project has been brought to profitable production, could eventually result in a world shortage of metals and an unprecendented rise in prices.

It is therefore interesting that the major mining groups within the European Economic Community have held a series of meetings already prompted by fears of such a shortage in the Community's own mineral supplies. Detailed discussions preceded an initial communication. "The Community's supplies of raw materials." A meeting will probably be held to talk over counter-proposals some time in September or early October.

It is thought that the most important part of any collective agreement would be the formation of a European political risk guarantee scheme. This would protect members' interests against such things as contractual reneging, would create a body large enough to raise the vast sums of money now needed to bring mines into productiond, and would carry more weight than a single mining group venture.

It is possible that the proposals would upset the governments of the lesser developed countries who might view the scheme as a big stick which the EEC could wield if they tried to alter existing agreements to secure greater profitability for themselves, especially as the EEC now accounts for some 40 per cent. of world trade.

It is to be hoped, therefore, that the Commission and the mining companies will formulate a policy which is fair to all sides and which will ensure a stable supply of minerals for future generations in Europe.

Platinums

Platinum bulls should note the announcement late on Friday evening that Rustenburg's producer price has been restored from $155 an ounce to its $170 April level. At the beginning of the year it was $190, a price that had prevailed since May, 1974. The next boost for the share market would be if Rustenburg became confident enough to begin restoring at least some of the 25 per cent. production cutback instituted in February. It was stated then that output could be increased at short notice.

INSURANCE

Safety and health at work

BY OUR INSURANCE CORRESPONDENT

WITH BRITISH insurers' total premium income from employers liability insurance probably exceeding the £100m. mark this year, insurers collectively are taking increasingly positive interest in accident prevention. Although many employment injuries occur because machinery is not properly guarded, because stairways and passages are unsafe and so on, a number of injuries happen because of fire.

Normally the employer will be just as liable for death or injury of an employee in a fire in his factory as he will be for death or injury due to the use of unsafe equipment.

The 1974 Health and Safety at Work Act, by setting out to establish a comprehensive code of law in all fields of employment, includes fire potential within its scope, even though in the Act the word "fire" is hard to find. The latest issue of "Fire Prevention," the journal of the Fire Protection Association, includes two articles in which the effects of the Act on fire precautions are examined in some detail.

Tight control

Mr. John Russell, of the Health and Safety Executive, explains how designation orders will transfer the responsibility for fire certification requirements to the local fire authorities and how the Act gives the executive tight control over fire problems. On the more general aspects he describes how it is proposed gradually to replace the mass of existing safety legislation, such as the Factories Act 1961, which together with the many judicial decisions thereon sets out in fine detail the factory employer's duties.

The new Act has brought fire precaution rules together in one piece of legislation, and in a second article Mr. Robert Mckinnon discusses the effect of the new legislation on such problems as high risk premises and the labelling and transport of dangerous substances.

These articles are to be found in "Fire Prevention" No. 109 and can be obtained at £1 per copy from the FPA's Information and Publication Centre at Aldermary House, Queen Street, London, EC4. Anyone who wants to have the FPA's journal regularly can of course take out an annual subscription.

Two official publications have just come my way, produced by the Health and Safety Commission—"The Act Outlined" and "Advice to Employers." Both are booklets, the first of 15 pages, the second of 22. The first booklet emphasises that the new Act has not yet modified the established statutory and judge made law which sets out the employer's duty of care—indeed it lists 31 Acts of Parliament starting with the Explosives Act 1875 which remains in force in whole or in part.

Inspectorate

Pending promulgation of new regulations, it is in the powers of the inspectorate that the transgressing employer is likely to feel the impact of the new Act. In addition to his former powers of prosecution (which are enhanced), the inspector can issue a prohibition notice to stop activity giving rise to the risk of serious personal injury until specified remedial action has been taken, can issue an improvement notice, if there is a legal contravention of statute, to remedy the fault within a specified time and in an extreme case, can seize, render harmless or destroy any substance or article which he thinks to be the cause of imminent danger or serious personal injury.

So the emphasis in the inspectorate's role is being shifted from enforcement, via prosecution through the courts, to prevention. It is here, seemingly, that in the interests of risk improvement there is scope for far greater collaboration between the inspectorate, employers and insurers; perhaps insurers should now write into their employers' liability policies clauses requiring policyholders to notify the receipt of prohibition or improvement notices from the inspectorate: alternatively perhaps the inspectorate should send copies of its notices to insurers, bearing in mind the compulsory nature of EL insurance. Clearly insurers can effect risk improvement not only by surveys and recommendations but by the constraint of higher premiums.

Salutary

The second booklet, "Advice to Employers," falls into two parts. The first provides detailed quotations from those sections of the Act which most immediately concern the average employer while the second poses some six pages of questions for the individual employer to answer. Working through the questionnaire must be a salutory exercise—how many employers will honestly be able to score more than 75 per cent. correct answers and how many of those who score less are nevertheless paying the insurers' normal rates for EL cover?

Perhaps in this questionnaire there is material for insurers to start to bring home to employers the distance over which they have to travel before they can say that they have taken all reasonable steps for the health and safety of their employees.

Money & Exchanges

Short-term interest rose sharply in the London money market last week in anticipation of the rise in Bank of England Minimum Lending Rate last Friday to 11 per cent. At the weekly Treasury bill tender the average rate of discount rose 0.9914 per cent. to 10.4407 per cent. The one-month sterling certificate yield improved to 10⅝-10 $\frac{11}{16}$ per cent., from 9⅝-9¾ per cent. at the end of the previous week, the two-month increased to 10⅝-10¾ per cent from 9 $\frac{11}{16}$-9 $\frac{13}{16}$ per cent., the three-month to 10⅞-10¾ per cent. from 9⅞-9 $\frac{15}{16}$ per cent., and the 12-month to 11¼-10 $\frac{13}{16}$ per cent. from 10 $\frac{7}{16}$-10 $\frac{5}{16}$ per cent. Day-to-day credit was in very short supply throughout, with the authorities giving exceptionally large assistance all week, mostly by way of overnight lending at Minimum Lending Rate of 10 per cent., and also by very large purchases of Treasury bills and Corporation bills.

On Tuesday, however, official loans were made for a period of seven days, an indication of the Bank of England's desire to see an increase in U.K. interest rates, to maintain differentials with those abroad, which was also taken as a warning of the impending rise in Minimum Lending Rate.

Bank of England Minimum Lending Rate 11 per cent. (Since July 25, 1975)

Sterling improved generally during the week, helped by rising U.K. interest rates and by the OECD forecast that U.K. inflation may fall to 10 per cent. Its trade-weighted average depreciation against ten currencies since the Washington Currency Agreement narrowed to 25.9 per cent., compared with 26.6 per cent. In terms of the U.S. dollar, sterling finished at $2.1785-2.1795, against $2.1745-2.1755 at the end of the previous week. The dollar was also much firmer in general, in line with higher Eurodollar rates and confident in an improvement in the U.S. economy. Its trade-weighted average depreciation against 14 units since the Washington Agreement, as calculated by Morgan Guaranty, narrowed to 3.59 per cent., from 4.01 per cent., having touched 3.52 per cent. on Wednesday and Thursday, the best level since February 11, 1974.

Gold was fairly quiet but firmed towards the end of the week to $165.80-166.80, compared with the previous $164½-165½. The kruggerrand for domestic delivery ended ...

EXCHANGE CROSS-RATES

EURO-CURRENCY INTEREST RATES

GOLD MARKET

WEEKLY AVERAGES OF U.K. INDICES

Week to—	July 25	July 18	July 11	July 4
Financial Times				
Govt. Secs.	60.41	60.97	59.88	58.58
Fixed Interest	60.58	60.52	59.27	58.14
Industr'l Ord.	299.9	304.4	321.9	310.8
Gold Mines	343.5	356.3	375.5	396.58
Dealings mkd.	4,798	5,069	6,156	6,042
F.T. Actuaries				
Ind. Group	118.85	125.67	129.15	125.24
500-Share	131.87	137.28	142.44	138.21
All-Share	129.29	134.84	139.34	135.28
20-year Govt.	50.20	50.60	49.28	47.64
Red. Debs.	47.98	47.62	46.80	46.15

FOREIGN EXCHANGES

July 25 1975	Bank Rates %	Day's Spread	Close
New York	8	2.1770-2.1815	2.1785-2.1795
Montreal	8¼	2.2470-2.2510	2.2498-2.2480
Amsterdam	6	5.68-5.72	5.67½-5.68½

FORWARD RATES

OTHER MARKETS

London tea sales

At the tea sales held in London last week 45,459 packages sold realised an average price of 56.12p per kilo, compared with 59.39p at the previous sale and against 58.87p a year ago. Plain tea was quoted at 55p.

	No. of kilos	Average per kilo
Telbedde	16,229	65p
United Planters	30,099	61½p
Upper Assam	62,524	57p

Stocks at July 18 amounted to 57,960 metric tons ... a year ago. Converted at 43,938 kilos per package.

SIEMSSEN HUNTER

It is proposed to cancel the 6½ per cent. Preference shares of Hunters and Frankau—subsidiary of Siemssen Hunter—in consideration of the payment of 25p cash per share by Siemssen Hunter.

INSURANCE BASE RATES

† Atlantic Assurance 11¼%
Cannon Assurance 8¼%
† Address shown under Insurance and Property Bond table.

INTERNATIONAL COMPANY NEWS + EURO MARKETS

EUROMARKETS

D-mark problems climax in ban

BY MARY CAMPBELL

ALL SECTORS of the Eurobond market were depressed last week while the problems of the D-mark sector reached a climax in a ban on bond issues and private placements for foreign borrowers and a postponement of the expected domestic issue for the Federal Railways.

The continuing strength of the dollar—which moved up sharply again last week—was of course the factor behind the falls in the non-dollar sectors. SDR issues and even Swiss franc issues moved lower. In the dollar sector interest rate considerations outweighed the strength of the currency.

New issues in the market are $50m. for New Zealand, $15m. for RoyNat (a joint subsidiary of Royal Bank of Canada and Banque Canadienne Nationale), Sw.Frs.80m. for Shell and DM100m. for each for ESCOM and Alusuisse. The two D-mark issues will be the last before the ban takes effect.

A Lux.Frs.500m. issue for the French Sociétés de Developpement Regional, under management of Société Générale Alsacienne de Banque, is expected soon.

The $50m. issue for New Zealand is in two tranches, one of $20m. for seven years, coupon 9½ per cent., and the other of $30m. for five years coupon 9 per cent. Lead manager is Kidder Peabody International. The Canadian dollar issue, which was announced at the beginning of last week, offers a coupon of 9½ per cent. on its five year maturity. Lead managers are Wood Gundy and Orion.

The Swiss franc issue for Shell, which is being managed by Crédit Suisse, offers a 7¾ per cent. coupon on a pricing of 99½.

The medium term lending market continues as active as ever. A $100m. loan for ISCOR was completed last week under lead management of Westdeutsche Landesbank Girozentrale. Maturity is five years and spread 1⅝ per cent.

Guarded optimism at Citroen

By Rupert Cornwell

PARIS, July 27.

FOR THE FIRST time since it was engulfed by the energy crisis, the Citroen car group is showing some guarded signs of optimism that a recovery might be on the way.

At a meeting of shareholders of the holding company, Citroen SA, its President M. Francois Rollier said that 1975 would be less of a financial disaster than had been feared at the end of 1974—a year in which the manufacturing subsidiary Societe des Automobiles Citroen turned in a loss of Frs.999.5m. (£110m.).

The main reason for M. Rollier's highly qualified hopefulness was the revival in demand for more powerful passenger cars, on which margins are higher. Citroen, of course, has begun to reap the benefits of the highly praised CX model, but M. Rollier also reported an upturn in demand for the smaller GS model.

The reasons for his doubts, however, are amply borne out by the latest monthly bulletin from the French car manufacturers federation, which reports an ephemeral acceleration of sales at the end of last month, thanks to fears of higher prices (subsequently justified) which would be introduced for 1976 models.

This flurry lifted June sales to 142,000 units, nearly 9 per cent. up on 1974, but nonetheless 13 per cent. lower than the same month of 1973. The first indications of early July suggest a fresh slump: 15 per cent. down on July 1974, and 30 per cent. on two years ago.

Exports, the major support of the industry in the last difficult 18 months, have for their part peaked out at around 120,000 units monthly, and the Federation specifically blames the strengthening of the franc as a major reason.

In terms of output, the decline is 11.7 per cent. in the first six months to 1.3m. units. Registrations fell even more steeply, by 14.6 per cent. to 742,373 units in the same period.

CORAL INDEX: Close 283-288

I.G. INDEX: GOLD 165-168

Austrian bank assets rise

By Paul Lendvai

VIENNA, July 27.

OESTERREICHISCHE Laenderbank, one of Austria's foremost banks, reports an 11 per cent. rise in total assets to Sch.42.6bn. (£1.1bn.) during the first half of 1975. Deposits were up by Sch.4bn. or 10 per cent., while during the same period last year there was a fall of 8.7 per cent. Laenderbank's first loan to the tune of Sch.400m. was oversubscribed.

Commercial credits were up by 4.5 per cent. to Sch.22.8bn. There was no need during the last four months to ask for Central Bank assistance, the Board said.

Foreign business was satisfactory with turnover up by 18 per cent.

Indices

NEW YORK

DOW JONES AVERAGES

Close	Home Bonds	Transport	Indus.	Util.	Trading volume 000's
July 25	85.81	161.22	834.09	80.11	15,110
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20,550
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20,150
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21,660
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16,690
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16,570
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21,420
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	25,250
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	25,340
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21,900
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	22,210
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	28,220
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	26,550
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15,990
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15,550
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19,000
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18,530

IND. DIVIDEND YIELD p.c.

July 18	July 11	July 19, 1974
4.48	4.44	4.68

N.Y. SE ALL COMMON INDEX

[illegible]

RISES AND FALLS

[illegible]

AMERICAN SE MARKET VALUE INDEX

[illegible]

U.S. STOCK INDICES

STANDARD AND POORS

		*Industrials	†Composite
July	25	101.34	90.72
"	24	101.12	90.07
"	23	101.18	90.19
"	22	102.61	91.45
"	21	101.69	92.44
"	18	104.59	93.20
"	17	105.09	93.63
"	16	106.25	94.61
1975	High	107.40 (15/7)	95.61 (15/7)
1975	Low	77.71 (8/1)	70.74 (8/1)

* 425 Industrials. † 425 Industrials, 50 Utilities, 25 Rails.

STOCK AND BOND YIELDS

	July 23 1975	July 16 1975	July 23 1974
Ind. Ord. yield pc	3.73	3.60	2.67
Ind. Ord. p/e ratio	11.03	11.37	10.92
Long-term Govt. Bds. per cent.	5.72	5.73	6.43

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Fed. Nat. Mtg.	475,700	15⅛	−⅛
Searle G.D.	299,200	16⅜	−⅜
Polaroid	174,000	[illegible]	−1½
Xerox	168,900	65⅜	+⅛
Texaco	150,300	26	+⅛
Intl. Tel. & Tel.	122,400	22½	−⅛
Occident Petroleum	111,000	19⅝	−⅛
General Foods	109,500	24⅜	−⅛
Monsanto	103,700	69⅞	−1¼
IBM	94,500	190¼	−3⅞

TORONTO

INDUSTRIAL INDEX

July 23	July 24	1975 High	1975 Low
199.97	199.06	199.30 (15/7)	169.41 (2/1)

MONTREAL

INDUSTRIAL INDEX

July 23	July 24	1975 High	1975 Low
198.87	199.26	203.61 (15/7)	139.93 (2/1)

COMBINED INDEX

July 23	July 24	1975 High	1975 Low
192.63	192.57	196.00 (15/7)	136.02 (2/1)

JOHANNESBURG

	July 23	July 24	1975 High	1975 Low
Industrials	230.6	231.7	236.9 (16/7)	183.2 (3/1)
Golds	299.0	296.2	379.1 (2/1)	253.2 (13/4)

(1959=100. Source: Rand Daily Mail. * 1974.

MELBOURNE YIELDS

Av'ge yield on 50 Leading Stocks	July 25	July 22	July 10
On Dividends	7.38	7.38	7.20
On Earnings	14.08	14.08	15.80

SYDNEY ALL ORD. INDEX

July 25	July 24	High 1975	Low 1975
363.00	363.28	383.56 (4/6)	269.68 (9/1)

TOKYO NEW SE INDEX

Base=100 January 4, 1968.

July 26	July 25	High 1975	Low 1975
316.85	317.27	335.11 (2/7)	268.24 (10/1)

HONG KONG INDEX *

July 25	July 24	High 1975	Low 1975
319.64	319.10	341.57 (9/6)	160.42 (9/1)

SINGAPORE INDEX §

July 25	July 24	High 1975	Low 1975
225.92	225.08	288.69 (11/5)	153.26 (6/1)

EUROPE

	July 25	Previous	1975 High	1975 Low
Belg'm (a)	107.73	106.78	111.81 (15/5)	89.07 (2/1)
Denm'k (b)	90.14	90.16	92.90 (13/6)	73.08 (13/1)
France (d)	66.5	65.0	72.6 (23/4)	61.70 (2/1)
Germ'y (e)	697.7	658.2	726.1 (15/4)	573.5 (3/1)
Holland (f)	100.0	99.9	107.6 (6/5)	83.8 (3/1)
Italy (g)	33.69	63.43	106.86 (21/2)	81.57 (21/7)
Spain (h)	(u)	(u)	110.96 (22/4)	96.50 (4/7)
Sweden (i)	383.63	381.42	387.06 (17/7)	310.56 (9/1)
Switz'rl'd (m)	266.6	267.0	296.1 (6/6)	206.3 (2/1)

Indices and base dates (all base values 100): (a) Belgian S.E. 31/12/63. (b) Copenhagen S.E. 1/1/73. (d) Paris Bourse 1961. (e) Commerzbank December 1953. (f) Amsterdam Industrial 1970. (g) Milan 2/1/73. (h) Madrid S.E. 31/12/74. (i) Stockholm Industrial 1/1/58. (m) Swiss Bank Corp. 31/12/58. (u) Unavailable. * Hang Seng Bank 31/7/64. § Straits Times 1966. (c) Closed. † Adjusted.

AUSTRALIAN WEEKLY LIST

[illegible]

† Buyer. ‡ Seller.

TEL AVIV STOCK EXCHANGE

[illegible]

Source: Bank Leumi Le Israel, Tel Aviv.

HONG KONG

[illegible]

SINGAPORE STOCKS

[illegible]

† Buyer. ‡ Sellers. xa Ex-all.

JOHANNESBURG

MINES

[illegible]

INDUSTRIALS

[illegible]

† Bid. ‡ Asked.

CANADIAN WEEKLY LIST

[illegible]

AUSTRALIA

July 25	Aust. $	+ or −
[illegible]	[illegible]	[illegible]
Nicholas International	†0.35	...
North Broken Hill	†1.12	...
Oakbridge	†0.65	−0.05
Oil Search	†0.26	−0.01
Pioneer Concrete	†0.77	...
Reckitt & Colman	†2.50	...
H.C. Sleigh	†0.39	−0.01
Southland Mining	†0.10	...
Stocks & Holdings	†2.40	...
Tooth ($1)	†1.70	...
Waltons	†0.70	−0.01
Western Mining (50 cents)	†1.66	−0.01
Woolworth	†0.97	−0.01

OVERSEAS SHARE INFORMATION

NEW YORK

[illegible]

Investment premium based on $2.60 per £1—88% (86¼%)

CANADA

[illegible]

GERMANY

[illegible]

PARIS

[illegible]

AMSTERDAM

[illegible]

BRUSSELS

[illegible]

SWITZERLAND

[illegible]

COPENHAGEN

[illegible]

STOCKHOLM

[illegible]

OSLO

[illegible]

MILAN

July 25	Price Lire	+ or −	Div. Lire	Yld. %
Alitalia Priv.	1,125	+25	—	
ANIC	727	+15	60	8.5
Assicurazioni Gen.	4,079	+29	130	3.0
Bastogi	1,759	+9	70	5.2
Breda	2,170	−5	150	7.0
Burgo	11,010	−490	200	1.8
Cantoni	7,950	+125	200	2.4
CIGA	1,216	+7	—	
[illegible]	4,400	+50	300	6.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOKYO

[illegible]

Source Nikko Securities Tokyo

VIENNA

[illegible]

SPAIN

[illegible]

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax. [illegible]

AUTHORISED UNIT TRUSTS

The British Life Office Ltd.♥ (a)

Reliance Hse., Tunbridge Wells, Kt. 0892 22271

BL British Life	34 7	36 1	+0.2	6 09
BL Balanced*	27.1	23.7	......	6 67
BL Capital*	28 6	30 2	......	4 91
BL Dividend*	25 2	26 7	......	9.13

*Prices on July 23. Next dealing July 30.

G. & A. Un. Tst. Mgrs. Ltd. (a) (g)

5, Rayleigh Rd., Brentwood. (0277) 227300

G. & A.	20.4	21.8	+0.1	6.00

Gartmore Fund Managers♥

2, St. Mary Axe, EC3A 8BP. 01-283 3531

British Trust	29.3	31.3	+0.2	4 55
High Income Tst.	27 6	29 7	+0.1	12.50
(z)Overseas Tst.	24.1	25.9	−0.1	1.67

REGIONAL MARKETS

Following the merger last year of U.K. stock exchanges, a selection of the share prices previously shown under regional headings is presented below with quotations on London. Irish issues, most of which are not officially listed in London, are shown separately and with prices as on the Irish exchange.

Albany Inv. 20p	34	......	Craig Ship. £1	410	−20	Shiloh Spinn.	23	......
Ash Spinning	[illegible]	......	Hallam Sleigh 10p	6½	......	Sindall (Wm.)	[illegible]	......
Bertam	16½	−½	Higsons Brew.	83	......			
Brady (G.) 'A'	45	......	I.O.M. Stm. £1	120	......	**IRISH**		
Bdg'wtr Est. 50p	205	−15	Holt (Jos.) 25p	185	......			
Clover Croft	35	......	Kleen-e-Ze	24	......	Alliance Gas (£1)	50	......
Craig & Rose £1	310	......	Lovell's Ship £1	130	......	Carroll (P.J.)	109	......
Dyson (R.A.)	30	......	Nthn. Goldsmith	90	......	Clondalkin	49	......
Ellis & McHdy.	37	......	P.M.A.	34	−1	Concrete Prods.	55	......
Evans F'k. 10p	54	......	Pearce (C.H.)	60	......	Goodbody (£1)	38	......
Evered	16½	......	Peel Mills	16	......	Heiton (Hldgs.)	30	......
Fife Forge	47	......	Richards 10p	7½	−½	Irish Distillers	63	+1
Finlay Pkg. 5p	26	......	RobbCaledon 5p	[illegible]	......	Irish Wire	40	......
Frost & Reed 50p	85	......	Sayers 12½p	6	......	Jacob	50	......
Gardiner & Sons	31	......	Sheffield Brick	60	......	Sunbeam	9	+2
Gardner (L.)	62	......	Sheff. Refrshmt.	142	−1	Unidare	65	......

FINANCIAL TIMES STOCK INDICES

—	July 25	July 24	July 23	July 22	July 21	July 18	A year ago
Government Secs	60.49	60.25	60.07	60.46	60.80	60.97	55.99
Fixed Interest	60.52	60.34	60.26	61.09	60.76	60.65	56.74
Industrial Ordinary	286.7	293.4	298.5	294.3	296.6	298.9	249.4
Gold Mines	346.5	345.5	347.0	341.5	337.3	345.3	388.5
Ord. Div. Yld. %	7.05	7.10	7.00	6.87	6.84	6.79	7.94
Earnings Yld. %(full)	20.43	20.63	20.35	20.04	19.94	19.81	21.24
P/E Ratio (net) (*)	6.99	6.92	7.02	7.15	7.16	7.21	6.57
Dealings marked	4,794	4,784	5,495	4,825	4,697	4,348	5,447
Equity turnover £m.	—	62.36	57.78	40.86	40.44	43.66	40.25
Equity bargains total	—	13,656	13,017	11,915	12,950	11,970	9,755

10 a.m. 284.5. 11 a.m. 285.2. Noon 287.5. 1 p.m. 287.8.
2 p.m. 285.4. 3 p.m. 287.2.
Latest Index 01-246 8026.

(a) Based on 52 per cent. corporation tax. (b) Nil=8.85.
Basis 100 Govt. Secs. 15-10-26. Fixed Int. 1928. Ind. Ord. 1-7-35. Gold Mines 12-9-55. S.E. Activity July-Dec. 1942.

HIGHS AND LOWS

—	1975 High	1975 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	62.54 (2/1)	49.18 (3/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	62.51 (21/5)	50.66 (3/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	365.5 ([illegible])	146.0 (6/1)	543.6 (30/5/72)	49.4 (26/6/40)
Gold Mines	442.3 ([illegible])	260.2 ([illegible])	442.3 ([illegible])	43.5 (26/10/71)

S.E. ACTIVITY

—	July 25	July 24
Daily—		
Gilt-Edged	138.7	126.0
Industrials	157.9	160.4
Speculative	59.2	[illegible]
Totals	109.1	106.[illegible]
5-day Average		
Gilt-Edged	142.8	143.5
Industrials	157.5	154.6
Speculative	47.1	50.1
Totals	109.3	107.2

FT—ACTUARIES INDICES

—	July 25	July 24	July 23	July 22	July 21	July 18	A year ago
Industrial Group	117.49	116.29	117.66	121.32	120.28	121.41	99.09
500 Shares	130.63	129.41	131.11	134.50	133.71	134.82	106.95
Div. Yield pc	6.81	6.88	6.79	6.62	6.65	6.60	7.63
P/E Ratio (net)	6.45	6.39	6.47	6.63	6.60	6.65	6.32
All Share	127.89	126.56	128.63	132.08	131.31	132.63	105.94
Consols yield pc	13.59	13.99	14.08	13.93	13.87	13.76	15.16

BASE LENDING RATES

AFI International	9½%	Keyser Ullmann	10½%
Allied Irish Banks Ltd.	9½%	Kingsnorth Securities	12 %
Anglo-Portuguese Bank	10 %	Knowsley & Co. Ltd.	11½%
Henry Ansbacher	10½%	Lloyds Bank	9½%
Banco de Bilbao	9½%	London & European	11½%
Banco de Jerez	10½%	London Mercantile	11½%
Bank of Cyprus	‡10 %	Midland Bank	9½%
Banque du Rhone S.A.	10 %	■ Samuel Montagu	9½%
Barclays Bank	9½%	■ Morgan Grenfell	9½%
Barnett, Christie Ltd.	11 %	National Westminster	9½%
Bremar Holdings Ltd.	10½%	Northern Comm. Trust	10½%
Brit. Bank of Mid. East	9½%	Norwich General Trust	10 %
■ Brown Shipley	10 %	Portman Guaranty	11 %
Cayzer, Bowater Co. Ltd.	10½%	P. S. Refson & Co.	9½%
Cedar Holdings	10 %	Rossminster Accept'es.	9½%
■ Charterhouse Japhet	10 %	Royal Trust of Canada	10½%
C. E. Coates	10½%	Schlesinger Limited	10½%
Consolidated Credits	12 %	E. S. Schwab	11½%
Continental Trade Bk.	9½%	Security Trust Co. Ltd.	11 %
Co-operative Bank	*9½%	Shenley Trust	11½%
Coploys Bank	11½%	Standard & Chartered	9½%
Corinthian Securities	9½%	Sterling Credit	12 %
Credit Lyonnais	9½%	Stewart Salmon & Co.	9½%
G. R. Dawes	10½%	Thames Guaranty	11 %
Duboff Brothers	11½%	Trade Development Bk.	9½%
Duncan Lawrie	10½%	Twentieth Century Bk.	11½%
English Transcont.	11½%	United Bank of Kuwait	9½%
First London Secs	9½%	Wallace Brothers Bank	10½%
■ Antony Gibbs	10 %	Whiteaway Laidlaw	10 %
Goode Durrant Trust	10 %	Williams and Glyn's	9½%
Greyhound Guaranty	9½%	Yorkshire Bank	9½%
Grindlays Bank	10 %		
■ Guinness Mahon	9½%		
■ Hambros Bank	9½%		
Hawtin & Partners	13 %		
■ Hill Samuel	§10 %		
C. Hoare & Co.	†9½%		
Julian S. Hodge	10½%		
Industrial Bank of Scot.	9½%		
Jacobs, Kroll	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6½%, 1-month deposits 6½%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 6¾% and over £25,000 7½%.
‡ Deposit Base Rate 9½%.
§ Demand deposit 7½%.

INSURANCE, PROPERTY, BONDS

OFFSHORE AND OVERSEAS FUNDS

NOTES

FINANCIAL TIMES REPORT
Monday July 28 1975

GOLD

The price of gold has fluctuated widely over the past year under the pressure of strong speculative demand. Its role within the monetary system remains controversial.

The battle rages on

ANYBODY WHO has read last week's evidence by Mr. William Simon, U.S. Treasury Secretary, to Congress can be forgiven for concluding that the U.S. and the EEC are 3,000 miles apart on international monetary issues. But concealed beneath the cracks on the surface where foreign currencies now float there are signs of an agreement among the leading advanced countries about the proper role of gold in the international monetary system.

The problem, for any new reader who does not use gold in his supermarket transactions and wonders what all the fuss is about, is superficially about the difference of opinion between the U.S., which believes gold should be demonetised internationally as well as in the supermarket, and France, which believes that somewhere within every gold bar there is intrinsic value trying to get out.

This is not to say that belief in gold is the monopoly of France: just that France has been the metal's most persistent international proponent outside the gold-producing countries, in a long drawn-out debate between "the gold lobby" and an international establishment view that gold really is a barbarous relic.

The phasing out process has certainly been slow. Indeed, even now the value of gold holdings in the reserves of all countries belonging to the International Monetary Fund is, at \$44½bn., over four times the value of their holdings of the "man-made asset"—IMF Special Drawing Rights—which is supposed to be phasing gold out. And that is when gold is valued at the archaic "official" price of \$42.22 an ounce. With due allowance for the likely effects of massive unloading on the market price, it is possible to argue that somewhere between \$42.22 and the market price of circa \$165 lies a multiple which can be applied to the real value of official gold holdings.

I regard the "demonetisation" debate as superficial because the belief in gold as some sort of a store of value and as a medium of exchange of last resort, is too deeply embeded in human nature to be extirpated by bureaucratic decree. Equally, however, the desire to return to a gold standard that never existed is too romantic by half.

Somewhere behind the facts, fantasies and fallacies surrounding gold there will emerge a compromise. Gold will not disappear from the international monetary scene—far from it. But it is highly unlikely to gain in importance.

This assertion is at least consistent with the way things have been going in international gold discussions during the past 12 months or so.

Downgraded

In a nutshell, the course of negotiations suggests that gold is going to disappear from (or at least be vastly downgraded within) International Monetary Fund transactions. But it is not going to be removed from central bank vaults, even if its use as a transaction medium continues to have a rarity value.

The immediate problem facing the intermittent meetings of the IMF interim committee on this front have been twofold. What to do about the IFM's own stock of gold—some 150m. ounces, valued at \$6⅓bn. at the official price but perhaps \$25bn. at market rates; and what to do about transactions in gold by monetary authorities both between themselves and with the market.

Taking the IMF aspect first, there is already widespread agreement that the official gold price should be formally interred, and that gold should lose its role as numeraire in the IMF's articles of agreement, to be replaced by Special Drawing Rights, which are valued in terms of a mixed basket of leading currencies.

But what to do with the resultant crock of gold? There has been a French proposal for restoring IMF gold to member countries, in proportion to their quotas, at the official price. Recipient countries would pay in their own currencies, keeping the Fund's accounts intact and the premium for themselves. Another proposal, from the U.S. and developing countries, has been that the Fund should sell its gold holdings either in the market or to central banks at market prices: part of the proceeds would be fed back to the Fund, but the premium would be used for development assistance in some way. A third (British) suggestion has been to leave the gold where it is in the Fund, but revise the Fund's articles to give it general enabling powers to implement either of the first two suggestions at some time in the future.

The apparent compromise — suggested by Dr. Otmar Emminger, the German central banker and agreed by the Group of Ten countries—is to apply the restitution proposal in the case of one sixth of IMF gold holdings, the sale and subsidies for developing countries proposal in the case of another sixth, and delay things under the "enabling" clause in the case of two-thirds of the Fund's gold holdings. There may be some technical adjustments to the figures, but this is what was quietly agreed in Paris last month and might, according to some participants, have been formally announced but for the fundamental differences on the question of floating versus fixed exchange rates.

There is less unanimity at this stage on the way monetary authorities should behave over gold. But even here there appears to be agreement that countries should legally be allowed to buy and sell gold in the market place, and deal between themselves, at any market-related price they can agree on. The French aside, there is also agreement between the U.S., the EEC and other countries that there should be some informal restraints on this freedom. The intention is to avoid offending U.S. susceptibilities by setting a new official price for gold. The fact that gold has recently been removed from intra-EEC settlements is indicative of the way things are moving.

It has been established for some time now that the leading countries do not intend to make any net additions to the world monetary stock *by weight*. A more contentious issue is when monetary authorities can sell or buy gold from one another to meet a balance of payments need. The U.S. wants to apply firm limits—again, to prevent another official price emerging from a series of automatic transactions. But officials closely involved in recent negotiations do not regard this as insoluble: the hope is that the U.S. will modify its position provided that the question of a new official price emerging is kept under review.

Apart from the well publicised gold-backed loan to Italy last year, there has been little dealing in gold between monetary authorities in the past 12 months or so. According to one leading monetary official: "Gold may at some stage be abstracted from official reserve holdings altogether. But it will always be at the bottom of the pile, even if it is never used much as a means of payment."

William Keegan

Caution in the U.S.

NEARLY ten months have passed since the U.S. Treasury Department lifted its 41-year-old ban on the ownership of gold by private American citizens. In that time, the market has managed to confound the expectations both of those who predicted that Americans would rush to put their money into the yellow metal as a sure defence against inflation and also of those who—like the Treasury itself—hoped it would flop altogether.

So far, both seem to have been proved wrong. The price of an ounce of gold, currently hovering around the \$165 mark, is substantially below the dizzy heights reached last December when many gold bugs persuaded themselves in advance that American demand would be strong, driving the price up to \$198. Yet demand has picked up a good deal from the cautious levels seen just after "G-day." In January, the U.S. Government managed to sell no more than 750,000 oz of the 2m. it put up for auction. At the beginning of this month, however, it sold virtually all of the 500,000 oz offered and could probably have disposed of a good deal more.

The need for a second sale—and the Treasury has stated that at least one and possibly two more will follow this year—became clear a couple of months ago when gold imports were clearly running ahead of expectations and risked becoming a troublesome deficit item in the U.S. balance of payments. The gold trade itself appears to be confident that demand will remain firm in the U.S.: after the June 30 auction, the large British and Swiss purchasers who walked away with the lion's share assured the American authorities that they expected to sell most of the gold back to U.S. customers.

Exactly who has been buying gold in the American market is difficult to ascertain. The Treasury, sometimes over-eager to press its view that the yellow metal is to be treated like any other commodity, concedes that interest at the June sale was "substantial," but likes to argue that the main demand comes from industrial users. There has been a steady and apparently still growing demand for gold coins, wafers and other small quantities, some of it doubtless for the souvenir market. This seems to have been confined for the most part to the specialist dealers, with most major banks still playing down the extent of their "retail" gold business, and some attempting to discourage it altogether.

The main interest centres on the five commodity exchanges which have established futures contracts in gold—the International Monetary Market of the Chicago Mercantile Exchange, the Commodity Exchange of New York, Chicago Board of Trade, the New York Mercantile Exchange and the Mid-American Commodity Exchange in Chicago. (Americans are also now legally allowed to trade on the Winnipeg Commodity Exchange, where a gold contract has been in existence since 1972.)

Among these, the IMM has clearly established itself as the leader, with roughly half of the total business done so far in gold futures having taken place under its roof. The New York Commodity Exchange, Comex, with an existing business in copper and silver, took about one-third of the total gold trade in the first six months, with the remaining three exchanges sharing the crumbs between them.

With combined dealings of between 2,000 and 4,000 contracts a day on average worth anywhere up to \$8m. at current prices, the gold futures market is clearly not to be taken lightly. It is still relatively narrow compared with the huge volume of dealings in major U.S. agriculture commodities, which continue to be the glamour items for most dealers and professional speculators. Yet gold futures dealings have grown rapidly by the standards of the commodities business, and few doubt they are here to stay. Whether there will be room indefinitely for five separate contracts remains to be seen. Despite the large investment which the laggards are reported to have put into promoting their services, they are likely to find it hard to catch up the lead set by IMM and Comex. As an added feature which it hopes will secure its supremacy among U.S. gold markets, IMM is also perfecting plans for a spot gold fixing on the lines of that in London—complete with little flags for the dealers.

It is a moot point whether dealings in gold futures can grow much larger, however. The actual value of a contract, some \$16,500 at present prices, is extremely high for most investors, especially given the net worth requirements made by most brokers before they will accept a client's business. Their prudence is not confined to gold alone. In spite of continued heavy advertising for new investors in futures markets, brokers have been obliged to screen out less affluent customers ever since many of these burnt their fingers in the volatile grain markets of 1973 and 1974. There is another reason, too, why gold is unlikely ever to attain the huge volumes of the main farm product futures markets—the fact that there is no ready-made large body of hedgers.

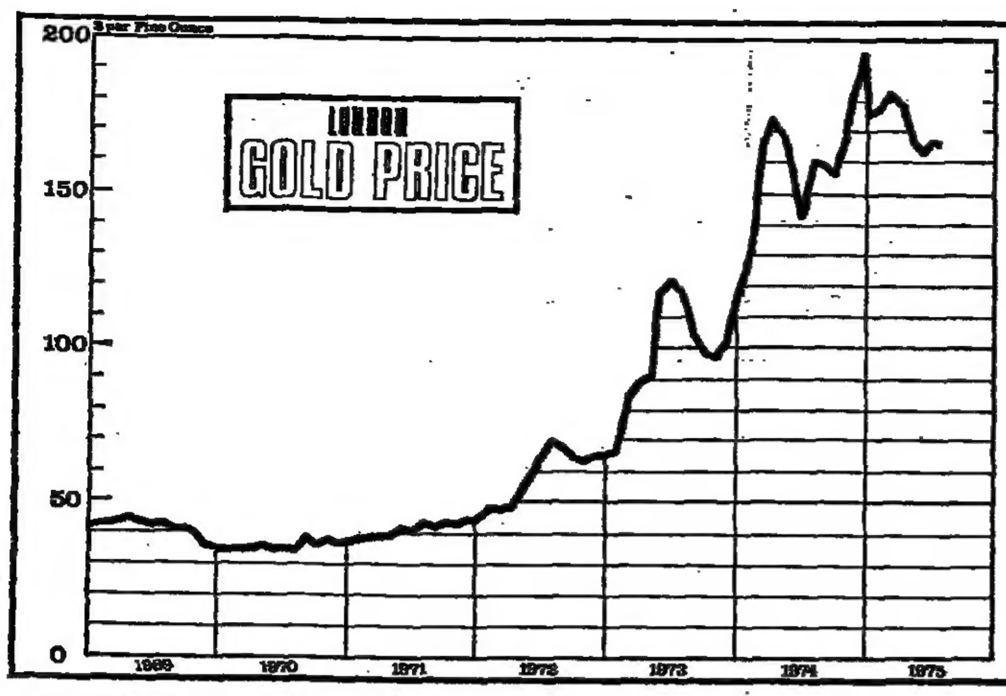
Only the Treasury itself might seem in one sense cast in that role—yet its interest is in fact the opposite one of keeping the price down by releasing stocks to meet domestic needs.

U.S. official policy has consistently been to reduce the monetary role of the metal, and if possible to dampen its price in the process. This year's sales appear to have had less impact on gold prices than the Administration may have expected, and in case it still entertains hopes of driving them lower, South Africa has bluntly warned that it would counter such a move by withholding production for a few weeks.

Adrian Dicks

هكذا من الأول

A volatile market



THE RECENT cut in the official French gold price from the $170 an ounce at which the country initially valued its reserve holdings early this year is a reflection of the relatively quiet markets which have been seen so far this year after the excitements during 1974. The peak price of $198 an ounce was reached almost at the end of the year, in late December, after a period of continuing speculative buying which had brought it up by over 70 per cent. from $114.75 at the beginning of the year. Since then, however, there have been signs of greater stability partly as a result of the U.S. policy of selling gold from its reserves and partly, presumably, because of the relative improvement in the general economic climate in a number of major countries.

The highest levels this year were reached in February, when at one stage the price closed at $185.5. Since then, the price has slipped back, running in the upper $170s during March and early April but coming back further and only briefly rising above the $170 mark during May. Nevertheless, the market remains in a sensitive condition, liable to substantial price movements. Most observers of the gold scene have been cautious about predicting the course of the price during this year, though there remain plenty of advocates willing to anticipate much higher prices and even the relatively careful Mocotta and Goldsmid earlier this year foresaw that the top of the price range could be as high as $225 an ounce.

There are perhaps three main elements in the background to the recent development of the market. First, there is the continuing argument over the role of gold in the monetary system and the events which have led to its revaluation as an official monetary asset. The debate has continued inconclusively through the past year, and there is still little sign of a reconciliation particularly between the U.S. and France. Last month, yet again, the Interim Committee of the International Monetary Fund failed to find agreement on this issue, and meanwhile there is considerable difference of view on the implications of recent events in this field for the gold price itself.

Important events have included last year's agreement in the EEC that Community central banks would be allowed to trade gold among themselves at prices close to the free market level, and the June agreement in the Group of Ten that in principle gold could be used as collateral in international loans. This move was important for the market, since it removed the threat that a leading central bank, such as Italy's, could dump its holdings on the market and cleared the way for the West German agreement to lend to Italy on the basis of gold holdings at a price substantially higher than the official level.

Support

There are some observers who argue that these moves, and the French revaluation, provide important support for the market, at least in the psychological sense of indicating a growing official recognition of the real value of the metal and perhaps effectively putting a floor under the free market price. Others maintain, though, that the operation has basically cosmetic purposes, with little real significance for the market: and recent trends have perhaps given some support to this view.

The second major influence in the market has been the events in the U.S. itself. These in fact were relatively slow to make an impact on the price, which failed initially to respond to the prospect of a substantial take-off of the metal by the U.S. In May last year the U.S. Secretary of the Treasury declared that he favoured ownership of gold by U.S. citizens: a Bill allowing U.S. citizens' ownership of gold from December 31 (after a 41-year ban) was approved by the House Banking Committee in June and signed into law by President Ford in mid-August.

It appeared, however, that this development had already been discounted by the market, and a gentle decline in the price continued until mid-September. It was only later in the year that the idea took hold of the market that the entry of the U.S. into the market could mean a substantial rise in demand. This produced a considerable rise, only temporarily reversed after the early December news of the plans to auction 2m. ozs of U.S. gold, which continued to the end of the year.

The actual entry of the U.S. into the market, however, proved something of a damp squib. The gold rush failed to materialise, and the auction in January brought bids for less than half the metal on offer, dominated moreover by European rather than U.S. buyers. The more recent auction, however, was a different story. The amount on offer, 500,000 ozs, was a good deal smaller, and was designed, the authorities said, to help keep down bullion imports as there were signs of a developing interest in the metal within the U.S.

The offer met good demand, again dominated by European buyers, and bids were remarkably close to the current market price. The sale, in fact of slightly less than the 500,000 ozs was felt by the U.S. authorities to have the desired effect even though much of the metal went to foreign dealers. It was thought likely that the metal would be sold back to U.S. buyers. These events have underlined the continuing official U.S. dislike of gold's monetary function and the efforts to reduce its position to that of simply another commodity.

The third main development in the market, though, may highlight the problems of removing from gold the special characteristics which make the market different from other commodities. This is the extent to which over the past year and more it has been completely dominated by speculative and investment demand for the metal, buying not for industrial use or even for traditional hoarding as a store of value, but for the hope of a profit in the short or longer term.

The increased prices have brought a sharp drop in the industrial consumption of the metal; while an important feature of last year was the disappearance from the market of the traditional demand for hoarding purposes from the Indian sub-continent and South-East Asia.

Demand therefore has been for investment purposes against the background of depressed stock markets, the high level of inflation in many countries and uncertainties over the economic future and exchange rates. The volatility of this type of buying makes it unusually difficult to draw equations with the supply side of the market. In general, the supply of new metal is more likely to fall than to rise.

It has been apparent for some time that the supply of new gold from Western sources is on a declining trend. This has been accelerated by the rise in the price, which has led to the working of lower grade ores by the South African mines, and last year there was a significant drop in the amount of new metal brought to the market.

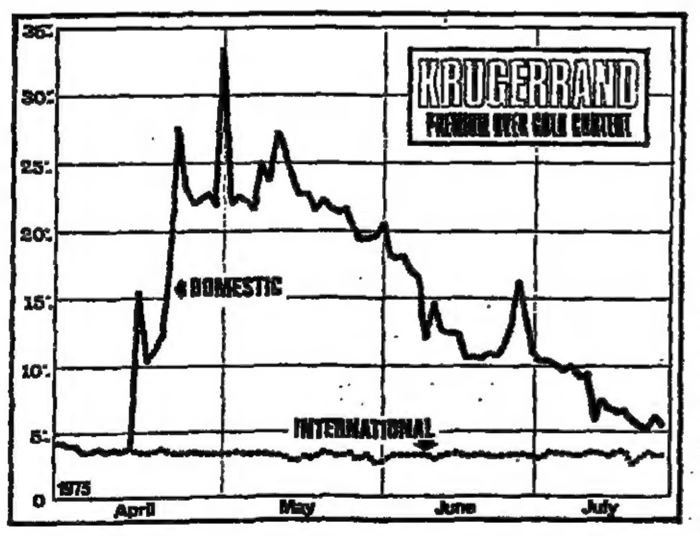
Speculative

In this situation, it is no longer straightforward to attempt to compare the long-term downward trend of the supply of newly mined gold with the growing underlying rise in the demand. The movement of the price depends on the level of speculative interest in the metal, which is in turn related to events in the international monetary and banking field and to the general level of confidence. At present, the signs that world inflation rates are being brought down and the recent improvement in the dollar have created a situation in which the attractions of gold have been reduced, while a better performance on stock markets has provided an alternative to speculation in precious metals.

The situation could be changed, however, if confidence suffered a setback or if, for example, there were signs of some of the oil surplus funds moving into gold. The latter contingency has seemed doubtful, since the producers are already sitting on an asset which may have greater attractions in present circumstances than the alternative. But even a small change in the mood of the market would be capable of producing sharp movements in the gold price.

Michael Blanden

Lower demand for coins



THE DRAMATIC upsurge in the demand for gold coins during the latter stages of last year went into gear at the same time as the faith in U.K. equities was declining and commodity prices were in full retreat; and as even fixed interest levels were showing no signs of getting within shooting distance of the rate of inflation. This situation produced something akin to a state of panic among many normally stolid investors and one witnessed the sad scene of people who had already lost 40 per cent. of their capital in the stock market in 1974 getting out and going into gold coins at the peak of the boom last December.

What I am talking about is, of course, the great krugerrand phenomenon when suddenly these coins (consisting of 1 oz of fine gold) stopped being something for professionals to nudge each other about and became the potential saviour of the investor along with the tons of baked beans which the panic-stricken were loading into their garages. At this time all sorts of super-salesmen of gold coins appeared, operating from West End addresses, pumping out arguments about how gold was going to go from strength to strength as the last bastion of monetary honesty and that how anyone who did not get his plastic satchel of krugerrands was a mug.

I was unhappy about this sort of sensationalism at the time, my instincts being that whatever is sold as the ultimate answer to all one's problems is usually a bad buy. And the sudden transformation of gold coins from a conservative hedge to a growth medium was a considerable test of credulity. Sure enough the break came on January 1 when the U.S. Treasury's gold auction—which was supposed to be a sell-out—proved to be a complete wash-out, for (admittedly with a lot of anti-gold prompting by the U.S. Government) only 750,000 ozs of gold was sold compared with the 2m. ozs on offer.

On December 30 the gold price had risen to a peak of $197.50 per ounce and the price of the krugerrand had risen to £100 per coin and 30 per cent. of South Africa's gold production was going into the coins. With the recovery in world equity markets the emphasis started to shift from bullion coins, and by April 15 this year the premium on kruggerrands had fallen from 20 per cent. to 3½ per cent., the price per coin being then £73¾ on the sellers side.

Restrict

The event which provided the next boost to the bullion coin market on April 15 was paradoxically the move by the Chancellor to restrict the import of gold coins. This seemed at the time to be acting too late, and one could sense that dealers were rather glad that the further supply of coins had been cut off — because the days of really buoyant demand were over. The Chancellor, however, was beating the anti-hoarding drum and pointed out that imports of gold coins were running at £25m. per month in the first quarter of this year compared with a gross import figure of £161m. last year. What he failed to point out was that Britain is also a big exporter of gold coins — amounting to £90m. in 1974. However, the restrictions applied to all gold coins minted after 1837, including sovereigns and gold medallions.

The immediate effect was to establish a two-tier market in gold coins and existing holders of krugerrands and sovereigns enjoyed a swift windfall with the domestic premium rising quickly to 15 per cent. on the krugerrands and a similar movement taking place in the premium on sovereigns. From then until the end of April the coin market enjoyed a brief Indian summer, with the premium rising to around 34 per cent. at one time on krugerrands. But since then it has been on an almost continuous downtrend, and by Tuesday the domestic premium had moved almost in line with the international one at around 5 per cent.

There are really only two reasons for this. The first is that gold is—for the time being at least—last year's story and the value of a gold coin like a krugerrand ultimately depends upon the price of gold. The latter has been steady at around the $165 per ounce mark recently, but this is a long way below the peak, and the trend overall since April has been a gently downward drift. U.K. dealers were also disappointed that the relative success of the second gold sale by the U.S. Treasury of a smaller parcel failed to spark off an upsurge in the gold price. In addition demand for coins has been so flat in the U.K. that the static pool of coins (estimated at £300m.) has been more than sufficient to satisfy all takers.

One major dealer remarked gloomily this week that most U.K. residents seemed to be sitting back and waiting to see whether the deflationary measures are going to work and that gold had gone back to being looked upon as just another commodity. He certainly thought that the days of wild speculation in gold coins were over, and his own efforts in that direction were now confined to switching clients between krugerrands and old and new sovereigns in order to make a little money on the margin between premium levels. This is not very exciting stuff compared with the heady days of 1974, but then the price of krugerrands is back to what it was in March last year.

As an investment, gold coins have disadvantages for many individuals for they produce no income and up to about four years ago were far outpaced in performance terms by other investments. This is not to say that krugerrands will not make a comeback if world economic conditions deteriorate once more, but they no longer seem the instant road to riches as the closest a U.K. resident can get to bullion.

Medallions

I have concentrated mainly on krugerrands and sovereigns in this article but of course during the gold fever there were many other bullion items on sale including medallions, gold rulers and special issues from offshore islands. The traditional coin dealers were also rather deprecating of krugerrands even at the height of the boom, pointing out that these coins had no numismatic value whatsoever and that there was more money to be made in antique gold coins of numismatic interest. The problem here, however, is that the average person has no yardstick by which to measure the value of antique coins, and the real attraction of krugerrands was that they were an investment in gold as a metal with a network of dealers to enable people to buy and sell easily. Even so this did not mean that the small investor got as good a deal as an institution might secure.

Christopher Hill

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
1M	1S	Exch.5½pc 1976‡‡	97⅞	23.1	6.64	10.19
15F	15A	Treasury 6½pc 1976‡‡	96⅛xd	9.7	6.75	10.29
1M	1S	Victory 4pc 1976‡‡	99	23.1	4.08	—
14J	14D	Treasury 10½pc 1976‡‡	99⅝	8.5	10.57	10.95
10M	10S	Treasury 6¼pc 1977‡‡	93¼	3.2	6.69	10.73
15M	15S	Electric 3pc '74-77	92½	6.3	3.24	7.97
26M	26S	Treasury 11½pc 77‡‡	100¾	17.2	11.45	11.22
15M	15N	Treasury 3pc '77‡‡	87¾	8.4	3.42	8.96
20J	20D	Transport 4pc 72-77	88¾	14.5	4.51	9.33
15M	15S	Treasury 9pc 1978‡‡	93⅝	6.2	9.59	11.65
14J	14J	Treasury 10½pc 78‡‡	97	9.4	10.82	11.71
26M	26S	Exchequer 5pc '76-78‡‡	85¼	17.2	5.86	10.59
9M	9S	Treasury 11½pc '79‡‡	98½	31.1	11.62	11.84
17M	17S	Treasury 3pc '79‡‡	78¼	10.2	3.83	9.46
26M	26S	Electric 4¼pc '74-79	79½	17.2	5.35	10.47
1M	1N	Treasury 10½pc '79‡‡	96⅛	25.3	10.92	11.64
15M	15N	Electric 3½pc '76-79	78½	8.4	4.46	9.72
3M	3S	Treasury 9pc 1980‡‡	90⅞	27.1	9.90	11.59
14M	14N	Treasury 9½pc '80‡‡	93¼	—	10.19	11.35
15J	15D	Treasury 3½pc 77-80	76¼	9.5	4.59	9.71
15J	15D	Funding 5¼pc '78-80‡‡	80½	9.5	6.52	10.43
		Five to Fifteen Years				
15F	15A	Treasury 3½pc '79-81	74⅛	9.7	4.71	9.57
15J	15J	Do 8¼pc '80-82‡‡	85¾	9.6	9.95	11.76
17M	17S	Treasury 12pc 1983‡‡	102¼	10.2	12.20	12.31
15J	15J	Funding 5½pc '82-84‡‡	74⅛	9.6	7.41	10.10
10J	10J	Treasury 8½pc '84-86‡‡	82⅝	3.6	10.47	11.56
1M	1N	Funding 6½pc '85-87‡‡	70⅞	25.3	9.38	11.26
26J	26J	Treasury 7¾pc '85-88‡‡	72⅛	19.6	10.71	12.09
1J	1J	Transport 3pc '78-88	46⅝	27.5	6.46	10.77
15A	15O	Treasury 5pc '86-89	55¾	10.3	9.20	11.64
		Over Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

[illegible]

**INTERNATIONAL BANK

[illegible]

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM Prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium [illegible] (based on $2.1807 per £)

CANADIANS

[illegible]

S.E. List Premium [illegible] (based on $2.2104 per £)

Conversion factor 0.6410 (0.6418)

††BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER & ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Cont.

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS & CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

مكزابن الأحمل

هكذا من الأصل

MINES

CENTRAL RAND

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Aug. Feb.	Durban Deep R1	£10	30.6	‡Q110c	ϕ	‡
Aug. Feb.	E. Rand Prp. R1	990	30.6	‡Q115c	ϕ	‡
—	Rand Leases 2½c	55	6'58	—	—	—
— —	Randf'tn Est. R2	£26¼	16.6	—	—	—
Aug. Feb.	West Rand R1	315	16.6	‡Q40c	1.3	‡

EASTERN RAND

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
May Nov.	Bracken R1	288	7.4	†Q51c	1.1	11.1
February	Daggafontein 50c	15	17'2	—	—	—
Aug. Feb.	East Dag R1	64½	24.12	‡Q25c	ϕ	‡
Aug. Feb.	Grvnt. Areas 5c	140#	6'71	—	—	—
Aug. Feb.	Grootvlei 30c	250	30.6	‡Q32c	1.1	‡
May Nov.	Kinross R1	680	7.4	†Q50c	1.5	4.6
May Nov.	Leslie 80c	122	7.4	†Q22c	1.6	11.3
Aug. Feb.	Marievale 70c	325	30.6	‡Q84c	1.1	‡
Aug. Feb.	S. African Ld. 35c	485	30.6	‡Q85c	1.2	‡
Aug. Feb.	Vlakfontein R1	180	30.6	Q35c	1.3	12.5
May Nov.	Winkelhaak R1	£10¼	30.9	†Q94c	1.2	3.9
Sept.	Wit. Nigel 25c	82	30.7	Q1c	10.9	0.8

FAR WEST RAND

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Feb. Aug.	Blyvoor 25	835	30.6	Q100c	ϕ	7.5
Feb. Aug.	Buffels R1	£18¾	16.6	Q180c	ϕ	6.0
—	Deelkraal R0.20	365	—	—	—	—
Feb. Aug.	Doornfontein R1	£10¾	30.6	Q110c	ϕ	6.4
Aug. Feb.	East Drie R1	970	30.6	Q65c	ϕ	4.2
—	Do. Comb. Units	950	—	—	—	—
Feb. Aug.	Elsburg R1	370	30.6	Q45½c	—	7.7
Feb. Aug.	Hartebeest R1	£26½	30.6	Q215c	ϕ	5.1
Feb. Aug.	Kloof Gold R1	£10⅜	30.6	Q55c	ϕ	3.3
Feb. Aug.	Libanon R1	£10⅛	30.6	Q110c	ϕ	6.8
— —	Southvaal 50c	£10¾	24.12	Q9c	ϕ	0.5
Aug. Feb.	Stilfontein 50c	345	16.6	‡Q65c	1.3	‡
Aug. Feb.	Vaal Reefs 50c	£27¾	30.6	‡Q220c	1.7	‡
Feb. Aug.	Venterspost R1	800	30.6	Q70c	ϕ	5.5
Feb. Aug.	W. Drie R1	£43	30.6	Q485c	ϕ	7.1
Jan. Aug.	W'st'rn Areas R1	560	30.6	†Q70c	1.4	7.8
Feb. Aug.	Western Deep R2	£18¾	30.6	‡Q160c	ϕ	5.4
Feb. Aug.	Zandpan R1	450	30.6	Q35½c	ϕ	5.0

O.F.S.

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Sept.	Fr. State Dev. 50c	325	24.12	Q14c	ϕ	2.7
May Nov.	F.S. Geduld 50c	£29	30.9	†Q310c	1.1	6.9
—	F.S. Saaiplaas R1	215	—	Q16c	1.1	4.7
May Oct.	Harmony 50c	810	21.3	Q77c	ϕ	6.0
Nov.	Loraine R1	330	30.9	Q12c	6.7	2.3
May Nov.	Pres. Brand 50c	£22½	7.4	†Q245c	1.3	6.8
May Nov.	Pres. Steyn 50c	£16½	7.4	†Q135c	1.8	5.1
May Nov.	St. Helena R1	£29	7.4	†Q230c	1.2	5.0
—	Unisel	265	—	—	—	—
May Nov.	Welkom 50c	400	7.4	†Q55c	1.6	8.6
May Nov.	W. Holdings 50c	£34	7.4	†Q445c	1.1	8.2

FINANCE

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
May Nov.	Ang. Amer. 10c	450	30.6	Q29c	2.0	40.4
Mar. Aug.	Ang. Am. Gold R1	£39	30.6	†Q250c	1.4	4.0
Feb. Aug.	Ang-Vaal 50c	£14½	16.6	Q95c	ϕ	4.1
Apr. July	Charter Con.	166	16.6	24.8	2.2	5.8
Nov. July	Cons. Gold Field	229	21.3	‡26.8	4.5	4.5
Feb. Aug.	E. Rand Con. 10p	21	21.4	0.92	1.4	6.8
Mar. Sept.	Gedulo Inv. R1	410	10.2	†Q34c	0.4	5.2
Oct. May	Gen. Mining R2	£31	21.3	‡Q210c	2.1	4.2
Mar. Sep.	G. Fields S.A. 25c	£31¼	10.2	bQ190c	1.5	3.8
Jan. Oct.	Jo'burg Cons. R2	£24½	9.12	†Q135c	2.3	3.5
Aug. Feb.	Middle Wit 25c	450	30.6	28	ϕ	3.9
Mar. Oct.	Minorco SBD1.40	255	24.2	‡Q30.2	1.1	±
Mar. Sep.	New Wit 50c	265	24.2	†Q14c	1.8	3.3
—	Patino NV Fls.5	875	—	QC40c	10.5	2.0
July Dec.	Rand Selection 50c	937	16.6	†Q70c	1.6	4.7
Jan. July	Selection Trust	505xd	14.7	ϕ56	2.0	4.3
Aug. Mar.	Sentrust 10c	350	16.6	Q30c	ϕ	5.4
Dec. July	Silvermines 2½p	54	19.5	‡1.60	1.6	7.4
May Nov.	SW Africa 20p	160	21.4	88¾	2.0	17.1
July Jan.	Tvaal Cons. Ld. R1	£14½	16.6	†Q55c	2.5	0.0
Mar. Sept.	U.C. Invest R1	400	10.2	Q36c	1.2	5.7
May Nov.	Union Crp. 6.25c	500	21.3	Q42c	1.6	5.3
Mar. Sept.	Vereeniging R2	£21¾	10.3	QR1.15	ϕ	3.4
Sep. Mar.	Vogels 2½c	103	24.2	Q6c	1.0	3.7

DIAMOND AND PLATINUM

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
Nov. May	Anglo-Am. Inv. 50c	£31¾	21.3	Q290c	1.8	5.8
Dec. Sept.	Bishopsgate Plt. 10c	103	11.11	‡Q8c	0.9	‡
May Nov.	De Beers Df. 5c	309	21.3	Q25c	2.2	5.1
Jan. Aug.	Do. 40pc Pf. R5	£15½	16.6	128.9p	125.5	8.3
Nov. May	Lydenburg 12½c	140	28.10	Q13.9c	1.0	6.6
Nov. May	Pot. Plat. 2½c	232	28.10	‡Q21c	1.0	‡
Nov. May	Union Plat. 10c	135	28.10	‡Q20.4c	1.0	‡
May Nov.	Waterval 5c	185	28.10	‡Q21.4c	1.0	‡

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
November	Coronation 25c	245	5.5	‡Q92c	1.4	‡
November	Falcon Rh. 50c	215	21.3	†Q55c	1.5	—
September	Globe Phnix 12½p	46	22.7	10	—	4.3
March	Rho-Corp. 16⅔p	19	24.2	Q5	8.0	4.4
J. M. Ju. O.	Roan Cons. K4	270	30.9	‡Q95	1.8	‡
Jan. July	Tanganyika 50p	168	2.6	Q26	1.2	7.7
Aug. July	Do. Pref. 80p	70	30.6	Q9	18.0	10.7
Nov. June	Wankie Col. Rh.1	38	7.4	‡Q12c	1.3	—
NvAgApJn	Zam. Cpr. SBD0.24	51	11.11	Q17.3p	1.1	33.9

AUSTRALIAN

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Acmex 25c	19	—	—	—	—
April	A. M. and S. 50c	104	16.9	Q14c	1.5	7.8
Nov. Apr.	Bougainville 50c	88	24.2	Q27½c	ϕ	17.7
Nov. June	BH South 50c	150	30.9	‡Q13c	2.5	‡
— —	Gold M. Kalg. $1	115	6'67	—	—	—
February	Gt. Boulder 10c	72	26.11	ϕQ2c	¢2.8	1.6
September	Hampin Areas 5p	100	22.7	23.6	ϕ	1.8
— —	Metals Ex. 50c	32	—	—	—	—
—	Metramar 20c	15	—	—	—	—
Nov. June	M.I.M. Hlds. 50c	184	10.2	sQ14c	2.1	4.3
May Sept.	M. Lyell 25c	95	—	sQ7.5c	4.5	4.5
—	Newmetal 10c	1½	—	—	—	—
June Nov.	North B. Hill $1	105	5.5	Q9c	1.5	4.9
—	North Kalg. 20c	10	—	—	—	—
June Nov.	Oakbridge $A1	60	21.9	Q7	2.6	6.6
— —	Pancont'l 25c	475	—	—	—	—
—	Paringa M&Ex. 5p	14	—	—	—	—
Apr. Oct.	Peko-Walls'd 50c	270	30.9	Q15c	ϕ	3.2
—	Poseidon 50c	210xr	30.6	—	—	—
— —	Scamander 25c	2	—	—	—	—
— —	Vultan Min. 50c	16	—	—	—	—
—	Westmex 10c	5	—	—	—	—
Oct. Mar.	W. Mining 50c	152	18.3	Q6c	1.0	3.0
—	Whim Creek 20c	30	—	—	—	—

TINS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
September	Amal. Nigeria	43	10.2	5.19	1.6	18.6
Apl. Oct.	Ayer Hitam	128	10.3	9.8	1.2	11.8
June Oct.	Beralt Tin	11	5'71	—	—	—
Jan. July	Berjuntai $M2.5	345	16.6	QSM2	ϕ	10.1
Apr. July	Ex Lands 10p	13	16.6	15	ϕ	17.8
Apr. Oct.	Geevor	156	10.2	†18.5	2.3	14.5
Nov. May	Gold & Base 12½p	13	17.9	0.84	1.6	10.7
June Dec.	Gopeng Cons.	205	21.4	14.25	ϕ	10.7
—	Hongkong	63	11'67	—	—	—
Sept. Mar.	Idris 10p	48	27.1	6.7	2.2	21.7
— —	Jantar 12½p	10½	4'67	—	—	—
Dec. Apr.	Kamunting 15p	56	10.2	†6.0	0.8	16.5
July Dec.	Killinghall	150	7.4	48	—	12.3
Apr. Dec.	London Tin 10p	160	24.2	7.0	1.3	6.7
Jan. June	Malay Dredging	166	5.5	g43.9	1.6	10.2
June Dec.	‡Pahang	42	21.4	‡Qb12½	1.5	7.7
July Jan.	Pengkalen 10p	45	21.4	7.0	1.0	23.9
March	Petaling $M1	96	2'71	—	—	—
Jan. July	Saint Piran	12	19.8	0.63	ϕ	8.4
Apr. Nov.	South Kinta 10p	110	27.1	†8.25	0.9	11.5
June Dec.	Sthn. Malayan	125	5.5	g43.9	1.4	13.5
July Dec.	Sungei Besi 20p	60	2.6	30	ϕ	15.4
Mar. Oct.	Sungei Way $M1	35	2.9	ZQ10	—	5.0
Sept. July	Tanjong 15p	57	27.1	4.35	2.3	12.2
Jy Mar Sep	Tongkah Hb $M1	51	31.1	‡Q30	1.3	‡
Apr. Oct.	Tronoh	63	10.3	4.02	3.5	9.8

COPPER

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Botswana RST R2	88	—	—	—	—
June Dec.	Messina R0.50	320	2.6	‡Q60c	2.9	‡

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—	Burma Mine 17½p	8	19.5	m0.5	—	1.7
—	Charterhall 5p	58	3'67	—	—	—
—	Colby Mines $1	75#	—	—	—	—
Aug. Feb.	Cons. Murch. 10c	650	30.6	‡Q130c	2.2	‡
— —	Laurasia	43½	—	—	—	—
—	NRD $1	17	—	—	—	—
July	Northgate C$1	280	30.9	Q65c	1.0	10.0
Jan. June	R.T.Z.	173	21.4	19.9	4.4	4.5
—	Sabina Inds. C$1	75	—	—	—	—
—	Stanford Mines ‖	76	—	—	—	—
—	Tara Expln. $1	£10⅞	—	—	—	—
— —	Yukon Cons C$1	67	11'65	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields, assuming maintenance of net dividends on current rate of ACT, are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ■ "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Banks and Insurance: reserve allocations may preclude calculation of dividend cover.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Based on 1973 profits.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ‡ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. G Assumed dividend and yield after pending scrip and/or rights issue. H Figures based on prospectus or other official estimates for 1974-75. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 29

FINANCIAL TIMES

Monday July 28 1975

Jobless figure 'should be halved'

By William Keegan

A CLAIM that the true level of unemployment in the U.K. this month was only half the 1,087,900 shown by the official figures was made at the week-end by the Centre for Policy Studies, the Conservative research group.

The Centre, whose chairman and founder is Sir Keith Joseph, "shadow" Cabinet member in charge of policy and research, has issued its own version of the figures which are adjusted "in the light of (the) widely accepted shortcomings" of the official figures.

The main adjustments are the removal of three categories of people from the figures of those who have officially registered—namely "those unsuited to regular full-time work" (estimated by the Centre at 250,000); "people between jobs" (for which the Centre takes the Department of Employment figure of 246,000 people who have been unemployed for four weeks or less); and "pensioners not seeking work," calculated at 50,000.

The Centre then arrives at 541,900 (or 2.1 per cent.) as its estimate of "true unemployment" in July 1975, compared with the 1,087,889 (4.7 per cent.) shock figure published by the Department of Employment last week.

Even on the Centre's own calculations, however, there is no getting away from the alarming deterioration in the unemployment position in the past month. Its "true unemployment estimate" shows an increase of 28 per cent. since June.

The Centre says that its estimate of "unemployables" is based on surveys done by the Department of Employment itself in 1973 and 1974. On the basis of those surveys, it was calculated that 30 per cent. of registered unemployed fitted into the "unsuitable to regular full time work" category then.

It was unrealistic to assume that the proportion of people in this category remained constant when unemployment was rising sharply. "The figures arrived at by this method have been revised downwards."

Unemployment policy "outdated" Page 4

Dividends report this week

Financial Times Reporter

THE FIRST two reports from the Royal Commission on the Distribution of Income and Wealth will be published on Wednesday.

One covers the controversial area of dividends and company finance and the other will set out the Commission's first views on the whole field of incomes.

The third report, on top salaries in both the private and public sectors, should be published before the end of the year.

Dividend income was a subject specifically chosen by the Government last year for early report. The idea was that the Chancellor of the Exchequer should use it in reaching conclusions in his intended review of dividend control.

In the event, this plan has now been superseded by the policy on incomes restraint which restores the 10 per cent. limit on dividend increases. The Government has said that the policy of controls will continue after the present legislation runs out next year.

The Commission, headed by Lord Diamond, the former Labour Cabinet Minister, was asked to prepare a report which covered the pattern of ownership of equity capital and of income arising from it, with evidence of the "final distribution of the income to individuals of different income levels."

It was also given a brief to look at the pattern of financing U.K. companies, and in particular the role of dividends in raising capital, together with changes in the total of dividends paid by companies in the U.K. covered by dividend control, and the growth of different kinds of personal income, including dividends.

Continued from Page 1

Ford pledge

and Saturday between President Giscard and Herr Schmidt produced the main result expected—an agreement to co-ordinate their imminent measures for economic stimulus.

Details of both plans have yet to be released. The French Cabinet will discuss its programme on Tuesday, the German Cabinet later in August, and it now seems that the two programmes will be put into operation together at the end of August or at the beginning of September. Both sets of measures will concentrate on public investment.

All the other "snake countries" have been informed of the results of this meeting in the hope that they will act similarly.

Bankers study public sale of Burmah's BP shares

BY MARGARET REID

METHODS for sale to the public of most of Burmah Oil's former 20½ per cent. shareholding in British Petroleum—worth some £400m.—are being studied by London merchant bankers.

No decision has yet been taken by the Cabinet on the ultimate fate of this major holding taken over by the Bank of England for £179m. early this year to generate cash urgently needed by Burmah.

There is a growing conviction in various quarters that if the ex-Burmah stake in BP were to be added to the 48 per cent.-plus interest already held by the British Government, the resultant near-70 per cent. state holding would exceed what was desirable.

While the extra shares would scarcely further reinforce the major influence the Government can now exert, it would lift the Government holding to what might seem to international observers an excessive level.

On the assumption that, in line with these considerations, the Government eventually concludes that its own stake in BP should not be increased—and there is little point in the indefinite retention of the holding by the Bank of England—there remains two alternatives, a combination of which may be used.

Undesirable

One would be the sale of a sizeable part or parts of the holding to overseas interests in the oil producing or consuming regions. Both the major oil producing country of Iran and the Deminex group in Germany—where no substantial oil investments are held as yet—have been canvassed as potentially interested buyers.

However, only a limited stake or stakes could in any event be disposed of in this way without conceding an undesirable degree of management influence over BP.

The final and most important possible method for disposal of the large former Burmah holding would thus inevitably be through an offer for sale of the shares to the public at large.

Even assuming that, say, a quarter of the ex-Burmah shares—some 5 per cent. of BP's equity—were disposed of at first to a big overseas purchaser, the offer for sale of the rest would constitute by far the largest share offering ever made in London.

Assuming that three-quarters of the shares in question—some 60m., were put up for sale in this way, and assuming this was at a discount of around one-fifth from the present 512p price, the operation would call for over £240m.

This would be more than double the previous largest equity issue in London, BP's own £123m. rights issue in 1971. And since around half of that was taken up by the British Government as a shareholder, the market was only called on for about £60m. This is approximately the amount of the very large Commercial Union rights issue last autumn.

Launching a public offer of up to £240m. would therefore be a major exercise for the City of London. This explains why a number of bankers are energetically reviewing the possibilities of raising such a sum, even though BP has not itself, in advance of any Government decision on the holding's future, commissioned any advice in the matter.

Severe

On the controversial question of who should take the large profit on such a deal, it seems almost certain that this will be the Government. The shares are held in the Issue Department of the Bank and the recent Bank of England report has already disclosed that the profit of some £144m. showing on the shares by the end of February was credited to the Treasury.

There seems little prospect that the realised profit will accrue to the shareholders of Burmah given the context of severe problems which led to the Government's backing for Burmah Oil and the purchase of the BP shares from it.

Soares calls for Government of national salvation

BY JANE BERGEROL LISBON, July 27.

DR. MARIO SOARES, leader of Portugal's Socialist Party, to-night called on President Costa Gomes to head a "Government of national salvation."

He said: "The Portuguese people are fed up with ideology, political debate and calls to fight this or that battle. What the people want is answers to their problems.

"As a force of the Left and a revolutionary party, we Socialists are polarising discontent not to harm the revolution but to safeguard it and prevent discontented people from joining the Right and the extreme Right."

This was the clearest bid so far by the Socialist Party to draw the President away from Armed Forces Movement Left-wing officers who are trying to split the Socialist leadership from its grass roots support.

Dr. Soares called on the Armed Forces Movement and the democratic political parties "to sit together round the table and plan concrete and realistic policies to save the country and save the revolution." The Socialists are going to present a "plan for action" to President Costa Gomes.

Friday's Armed Forces announcement of a ruling triumvirate of Portugal's three strongest generals, President Costa Gomes, Prime Minister Vasco Gonçalves and Copcon security chief Otelo Saraivo de Carvalho, has been condemned by the Popular Democrats while extreme Leftists have said that it solves none of the country's political problems.

The Popular Democrats have condemned it as against the military pact with the parties and unconstitutional.

The impression is that the triumvirate has so far gained the support only of the Communist Party and the Communist-dominated MDP-CDE and some of the extreme Left groups.

Cynical

Leading officers of the Supreme Revolutionary Council—now a purely consultative body for the three generals—failed to turn up at Friday's general assembly where the triumvirate was formed, prompting speculation that they may resign from the Council.

An Army captain has already resigned, but the others, led by Armed Forces Movement founding members, Majors Melo Antunes, the Foreign Minister, Vitor Alves, roving ambassador, and Captain Vitor Crespo, the former High Commissioner in Mozambique, may continue to support the movement if President Costa Gomes makes certain assurances to them.

There are signs that the fight over whether General Vasco Gonçalves should remain Prime Minister is still not over.

Some cynical observers are commenting that much of the President's moderate and critical speech on Friday may have been designed for outside consumption before this week's Helsinki European Security Conference.

But the Press may be embarking on a delicate policy of neutralising Communist party influence through an alliance between more moderate, independent Left-wing officers and the extreme Left represented by General Saraiva de Carvalho.

Dr. Mario Soares greeted the President's speech as embodying many of the criticisms made by the Socialist Party over the past few weeks.

General Gonçalves has promised a new Government for this week, presumably before President Costa Gomes leaves for Helsinki on Wednesday. But he has only two more days in which to put a cabinet together and many leading independent members of the fourth coalition are still hesitating before accepting their previous posts.

Pentagon halts Turkish bases

BY METIN MUNIR ANKARA, July 27.

THE FOUR most vital U.S. bases in Turkey have halted their operational activities on the instructions of the Pentagon, it is understood here.

The move came two days after the Turkish Government abrogated its military treaties with the U.S. and ordered U.S. bases in the country to halt their activities.

The bases which have ceased fulfilling their operational functions are Pirinclik, in eastern Turkey, close to the Soviet Union, Karamursel in the north west, near Istanbul, Sinop, on the Black Sea, and Belbasi, near the Turkish capital.

The functions were radar communications and intelligence gathering facilities directed at ship and troop movements in the Black Sea, the Mediterranean, the Middle East and the Soviet mainland.

There are 27 U.S. bases in Turkey and over 6,000 American troops. The operational activity of most of these bases has either stopped or will have stopped by to-morrow.

The Americans are also unable to make use of the big air base at Incirlik, in south eastern Turkey, where they kept nuclear weapon-carrying Phantoms. The base will now be used exclusively for NATO purposes.

The Turkish Government has said the bases would come under the "complete control and supervision of the Turkish armed forces."

So far, U.S. sources say, Turkish troops have not moved into the bases, where administrative operations continue and American soldiers still live.

The Turkish Government has not set a date for the beginning of negotiations on a new military treaty which would replace the 1969 treaty abrogated on Friday.

There is much confusion concerning the practical result of the Turkish Government's decision. It is not clear what the Turks will do when they take over the bases, or what will happen to the U.S. troops and equipment.

Mr. William Macomber, the U.S. Ambassador, to-day paid a visit to the Foreign Ministry, where he tried to get clarification on these and other technical problems described as "immensely complicated."

For the present, the U.S. does not expect Turkey to requisition any base property or ask American personnel to leave.

A U.S. source said the Pentagon planned to reduce the troop level if the situation were not clarified within 90 days.

Mr. Suleyman Demirel's Right-wing Government has not made any effort to explain the situation to the Turkish public, but in its present muddled form the decision has enjoyed full public approval and Press backing.

An emergency meeting of the Nato Council has been called by Turkey for Tuesday. Turkey is not expected to alter its relationship with Nato but will ask the alliance to contribute more to fill the gap made by the severance of U.S. aid.

What effect the situation will have on Turkey's foreign policy is as yet uncertain, but there is no doubt that what is considered by many Turks as "treason" by the U.S. will gradually force Turkey towards a more neutralist policy and the betterment of relations with her neighbours, particularly the Soviet Union.

IN WASHINGTON Mr. Thomas O'Neill, leader of the House Democratic Party majority, said it was unlikely the necessary legislation to reverse the U.S. ban on arms to Turkey could get through by the end of the week, when Congress adjourns for a month-long summer recess.

Editorial comment, Page 10

Weather

U.K. TO-DAY

MOSTLY dry, with sunny periods. Warm or very warm.

London, S.E., E., Cent. N. and N.E. England, E. Anglia, E. Midlands
Dry, sunny periods. Wind light and variable. Max. 27C (81F).

C. Southern and S.W. England, Channel Is.
Mostly dry, sunny periods, perhaps isolated thundery showers. Wind E. or variable. Light. Max. 26C (79F).

W. Midlands, Wales, N.W. England, Lakes, Isle of Man
Dry, sunny periods. Wind S., light to moderate. Max. 23C (73F).

Borders, Edinburgh, Dundee, Aberdeen, Moray Firth
Rather cloudy, mostly dry. Wind S.W., moderate. Max. 21C (70F).

S.W. Scotland, Glasgow, Cent. Highlands, N. Ireland
Cloudy, mostly dry. Wind S.W., moderate. Max. 20C (68F).

N.E. and N.W. Scotland, Argyll, Orkney, Shetland
Cloudy, showers. Wind S.W., moderate, locally fresh. Max. 16C (61F).

Outlook: Mostly dry, scattered thunderstorms in S. Generally warm or very warm.

Lighting-up: London 21.26, Manchester 21.44, Glasgow 22.04, Belfast 22.04.

BUSINESS CENTRES

		Y'day mid day °C	°F			Y'day mid day °C	°F
Alexandria.	S	31	88	Luxembg.	C	22	72
Amstrdm.	C	20	68	Madrid	S	32	90
Athens	S	34	93	Manchstr.	F	21	70
Bahrain	S	40	104	Melbourne	F	18	64
Barcelona	D	24	75	Milan	S	27	81
Beirut	S	30	86	Montreal	S	24	75
Belfast	C	18	64	Moscow	S	27	81
Belgrade	F	22	72	Munich	F	17	63
Berlin	C	19	66	Newcastle	S	23	73
Birmghm.	F	23	73	New York	S	25	77
Bristol	S	23	73	Oslo	S	25	77
Brussels	C	21	70	Paris	F	23	73
Budapest	F	24	75	Perth	R	13	55
Cairo	S	33	91	Prague	F	20	68
Cardiff	S	20	68	Reykjavik	R	9	48
Cologne	C	19	66	Rio de J'o	C	21	70
Copnhagn.	F	20	68	Rome	S	22	72
Dublin	F	21	70	Singapore	C	25	77
Edinb'gh	S	21	70	Stockholm	S	24	75
Frankfurt	F	21	70	Strasbourg	S	23	73
Geneva	S	21	70	Sydney	F	17	63
Glasgow	F	18	64	Tehran	S	37	99
Helsinki	F	22	72	Tokyo	C	29	84
H. Kong	S	30	86	Toronto	S	25	77
Jo'burg	S	19	66	Vienna	F	19	66
Lisbon	S	26	79	Warsaw	R	13	55
London	S	25	77	Zurich	S	22	72

HOLIDAY RESORTS

		Y'day mid day °C	°F			Y'day mid day °C	°F
Ajaccio	S	26	79	Jersey	S	23	73
Algiers	C	28	82	Las Plms.	S	26	79
Biarritz	F	27	81	Locarno	S	24	75
Blackpool	F	18	64	Majorca	F	25	77
Bordeaux	S	28	82	Malaga	S	27	81
Boulogne	C	18	64	Malta	F	28	82
Casablnca.	S	26	79	Nairobi	S	23	73
Cape Town	C	18	64	Naples	S	29	84
Corfu	S	31	88	Nice	S	26	79
Dubrovnik	S	26	79	Nicosia	S	29	84
Faro	S	27	81	Oporto	F	21	70
Florence	S	28	82	Rhodes	S	32	90
Funchal	S	25	77	Salzburg	S	19	66
Gibraltar	S	24	75	Tangier	S	30	86
Guernsey	S	21	70	Tenerife	S	36	97
Innsbruck	S	21	70	Tunis	S	29	84
Inverness	F	21	70	Valencia	S	29	84
I. of Man	S	19	66	Venice	S	25	77
Istanbul	C	25	77				

S—Sunny. F—Fair. D—Drizzle. C—Cloudy. R—Rain. T—Thunderstorm.

Journalists to ballot on closed shop policy

By John Wyles, Labour Reporter

THE National Union of Journalists will ask its 28,000 members to decide the union's policy on the controversial questions of the closed shop and the role of newspaper editors.

The decision by a special NUJ conference at the week-end was a victory for moderates who had organised a campaign against the hard-line policy on the closed shop adopted by the union's annual conference in April.

Although they secured the ballot of members they were seeking, moderates lost the vote over the question that will go on the voting papers.

Delegates voted 204 to 190 in favour of the ballot but went on to decide by 198 to 168 that the question the ballot paper should ask was whether NUJ members agreed with the seven-point policy calling for 100 per cent. closed shop adopted by the April annual conference.

This policy directly repudiated a declaration on Press freedom adopted in March by the NUJ executive, which made it clear that the union would not force editors into membership if closed shops were introduced into the newspaper industry.

Upheavals

NUJ moderates wanted members to be balloted on this declaration but Left-wingers won the day with their argument that if the membership attitude was to be tested then the issue must be the decision taken by their conference representatives in April.

The seven points adopted by the April conference which NUJ members will now vote on are: a repudiation of the NUJ executive statement giving editors the freedom of choice on NUJ membership, union policy for 100 per cent. post-entry closed shop, no separate membership section of the union for editors, full support for union branches seeking closed shop agreements, not allowing editors to do their normal work during strikes and instructing them to take part in "properly authorised" stoppages, work with other media unions for "a genuine free Press," and total opposition to any "Charter of Press Freedom" agreed with newspaper proprietors.

Saturday's conference also instructed the NUJ executive to call for one-day strikes in provincial newspaper offices in support of nearly 250 journalists sacked by the Birmingham Post and Mail group after going on strike over pay.

Observer still hopeful

By Our Labour Reporter

OBSERVER management will decide to-day its next move to secure union agreement to a 30 per cent. cut in manning levels which the newspaper claims is necessary to remove the threat to its future posed by a projected £750,000 operating loss for the year.

After chapel (office branch) meetings on Saturday, printing union officials are expected to give their replies to-day to management's call for volunteers for redundancy.

The company remained hopeful last night that there would be further acceptance of voluntary severance in the wake of the meetings, which caused no disruption to Saturday night's production of the newspaper.

There has been strong resistance to the reduction in manning levels among sections of the 700-strong work force, particularly in the machine rooms, which national union officials claim could not function in some areas on the levels proposed.

THE LEX COLUMN

Fodens and the institutions

The relationship between the institutional investor and industry is developing into a major talking point, which is why it is important to draw the right conclusions from the rescue of Fodens. Apart from demonstrating the technical point that a share price below par is not an insuperable barrier to raising equity-type money, the deal will be of no particular interest to chronically lame ducks. By their standards, Fodens' cash requirements appear modest, representing about three times the market capitalisation before the shares were suspended.

Even so, servicing the new preference shares will take the equivalent of roughly three-quarters of the group's average annual profits over the last six years. This kind of option could never be extended to an Alfred Herbert, which wants a sum nearer to 25 times its market capitalisation.

Fodens has been saved for the private sector because its institutional shareholders have been persuaded that it is going to be viable over the long term. The relevant question is whether they should have been prepared to intervene at an earlier stage.

Of course, it is too easy now to criticise the disastrous timing of Fodens' major expansion effort, which started in 1972. But the group is a minnow in the lorry manufacturing business, heavily exposed to a relatively small sector of the market. Its shortage of cash is not a new development: in fact, it has only produced a net cash flow surplus once in the past six years, during which time it has covered less than half its cash requirements out of internal sources. Its decision to increase its capacity substantially was not made in response to market strength: rather "it was quite clear that unless British manufacturers took action, the market for our trucks would decline as a result of the increasing competition."

In other words, the group was running a major business risk well before the recession emerged. Whether its shareholders were sufficiently aware of this fact, and what they should have done about it, is really what the current debate in the City is all about.

U.S. listing

The wave of funding operations both here and in the United States has given new topicality to the question of whether British companies should be more eager to seek registration with the Securities and Exchange Commission. BP, already registered for a number of years, has heavily underlined the point with its $1.9bn. financing operation (though only $150m. of that took the form of listed bonds). And ICI formally filed with the SEC on April 22 as a forerunner to its offering of $100m. of 20-year Debentures.

Rights issues have posed special problems. Thus U.S. shareholders of EMI (about 5 per cent.) were unable to subscribe directly for new shares in April, but by June the company's registration statement had become effective and it was able to offer U.S. shareholders a stock dividend option.

Controversial

More controversial has been the position of Rank Organisation, where its much more substantial block of American shareholders (around half) was cut out of the offer for sale of new shares in April. The potential sacrifice by U.S. investors was very large, and Rank has admitted it would have preferred a rights issue. But that would have required registration involving "inordinate delay, heavy expense and accounting problems."

The obvious question is why problems which appeared insuperable for Rank have not always deterred other British companies, though given the somewhat scanty list of U.K. registrations—it also includes Plessey, Shell and shortly Consolidated Gold Fields—it looks as though Rank's objections are fairly widely held.

Clearly, a company needs to have a pretty strong motive to submit itself to the registration procedure. Tapping the U.S. capital market is the main attraction, but this is an opportunity strictly limited to U.K.-based multinationals. Otherwise, only companies with substantial U.S. operations — or ambitions — are likely to be seriously concerned. Interestingly, Rank is a company which has a large body of American shareholders but very little in the way of direct U.S. operations. And the terms of its relationship with Xerox Corporation leave it with comparatively little scope for U.S. expansion. EMI, owning Capitol, is in a rather different position, as is Plessey thanks to its Alloys Unlimited acquisition a few years back.

The problem of accounting procedures will vary from company to company. Much revolves around the question of "materiality" as applied to divergencies between U.K. and U.S. accounting practices, both in profit and balance-sheet terms. The BP registration statement in connection with the recent debenture and Note issues, for instance, included a report by the independent accountants Whinney Murray to the effect that U.K. as opposed to U.S. accounting principles had not materially affected the determination of net income.

But the accountants had to point out exceptions covered in various notes. These referred to the treatment of back service pension charges in 1973 and 1974, to Iranian receipts in 1970 and 1971, and to the sale of production interests in 1974.

Real difficulties arise when reported U.K. earnings might consistently diverge on a scale conflicting with the "materiality" criterion and where notes to the accounts would be an insufficient answer. Questions of goodwill treatment and depreciation policy appear to have loomed rather large for Rank. In such cases a company might have to face up to the prospect of an annual restatement of its accounts for U.S. requirements.

Disclosure

Such accounting problems may be more difficult to resolve than those of disclosure—at any rate for large groups—although new information may well be required by the SEC. The EMI document, for instance, includes detailed figures of research and development expenditure, and analysts are becoming used to BP's latest estimates of the Ninian reserves coming out of its U.S. statements. There are, of course, other ways into the U.S. which do not involve coming under the eagle eye of the SEC—as Hanson Trust, for one, has shown. But the lure of a huge bond market could yet produce some more U.K. candidates for registration.

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